University of Alberta

Nationalism vs. Economism in Japan's Territorial Disputes

by

Kazuko Higashida

A thesis submitted to the Faculty of Graduate Studies and Research in partial fulfillment of the requirements for the degree of Master of Arts

Department of East Asian Studies

Edmonton, Alberta
Fall 2004

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Your file Votre référence
ISBN: 0-612-95634-2
Our file Notre référence
ISBN: 0-612-95634-2

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Dedication

This thesis is dedicated to my husband, John Soltice, for his incredible encouragement, inspiration, patience, and motivation during the completion of the thesis. Without his support, this thesis would not have been possible. I also dedicate this thesis to my parents, Toshihiko and Kyoko Higashida, and grand-parents, Toshikazu and Aiko Higashida, whose work ethic and dedication will always be admired, and to my brother, Yoshiyuki Higashida, for always being there.

Abstract

This comparative study offers sociological and cultural perspectives as well as Economic Realist perspectives on the politics of territoriality and foreign policy. Of Japan's three territorial disputes, the most widely known is the so-called "Northern Territories problem (北方領土問題)" between Japan and Russia. Another well-known dispute is between China and Japan over the Senkaku/Diaoyu Islands. Although Russo-Japanese relations are considered as stalemated, China and Japan have been enjoying a good economic relationship. Realism can well explain many foreign policy behaviours, but not all the time. The cultural perspective has promise for improving our understanding of the dynamics of international territorial disputes. My two case studies will show 1) how economic motives take precedence in Japan's relations with China, but on the other hand 2) how historical events and cultural factors (e.g. nationalism, geopolitics, and rivalry) influence the way Japan behaves toward Russia.

Acknowledgement

I would like to acknowledge my supervisor Dr. Wenran Jiang. I also would like to extend my gratitude to Dr. Juris Lejnieks for taking the time to help me and to Dr. Sinh Vinh for his thesis suggestions. Lastly, I wish to thank everyone within the Department of East Asian Studies including Dr. Janice Brown, Dr. Tsuyoshi Ono, Dr. Jenn-shann Lin, Dr. Laifong Leung, Heather McDonald, and Sharon MacKenzie.

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Chapter 1

Introduction

This is a comparative study of postwar (since 1945) Russo-Japanese and Sino-Japanese bilateral relations in terms of Japan's foreign-policy decision-making and Japan's territorial disputes with the countries concerned. An intention of this thesis is to arrive at theoretical propositions about nationalism and Economism in Japan's foreign policy, and to conceptualize a trend in Japanese decision-making as illustrated in the territorial disputes. In order to achieve such objectives, Economic Realism and Constructivism are first examined followed by two case studies in the next two chapters. The two territorial disputes are: 1) the Senkaku/Diaoyu Islands with the People's Republic of China (PRC), and 2) the Northern Territories with Russia. The case studies allow us to go beyond Japan's formal articulation to investigate Japan's policy-making pattern and how Japan actually operationalizes foreign policy. This thesis will also examine whether their behaviour is consistent with their formal articulation between the two territorial intention is not to prove or

disprove any particular theories, but rather, to examine how much Economism and nationalism plays a role in Japan's policy toward the two countries concerned. This study will consider features of Economism (domestic-level analysis), Realism (international-level analysis) as well as Constructivism, a term first used in International Relations scholarship by Nicholas Onuf (Wendt, 1999).

The Question

The question is whether Economism completely took over nationalism in terms of Japan's foreign policy formulation, and how much nationalism appears in today's foreign policy, especially in Japan's foreign policies for China and Russia – two of the political giants of the world.

Economism or *keizaishugi* (経済主義) is a term used to describe Japan's pragmatic policy to pursue economics, which Japan believes is the most important element in its society. Japanese Economism came out of its need to develop the country and improve technology after the defeat in World War II. Japan had to work hard to redevelop both its identity and rejuvenate its economy. Japanese Economism has been an attempt to focus on economic development as a more realistic alternative to a strong military role. Social and cultural values were pushed aside and the main norms of Economism, and Economism diplomacy came to the front.

It can be accepted today that we live in a world in which the economic order reigns. It is believed that both national and international decisions are made primarily in terms of expected results for the economy. Even issues of national sovereignty are subordinated to economic considerations according to Economism. Organization of the world's institutions, together with the underlying belief system, is called "Economism." In an economistic society, the highest good is wealth. Of course, many say that the reason for seeking the increase of wealth is that human needs can be met only in this way.

Did nationalism reign in the past when the economic order was yet to appear? In the past, 250 years of Japan's isolation policy until 1853 made Japan the perfect breeding ground for nationalism centered on the notion of a divine emperor. The attempted establishment of "Greater East Asian Co-Prosperity Sphere" in the 1930s and 1940s that covered all of Asia drew upon history, culture, ideology, and race. Upon the end of the Pacific War in 1945, Western capitalism and liberalism was introduced to Japan. With Japan's increased manufacturing and trade due to the Korean War, Economism was on the rise as if nationalism did not matter any longer. From another angle, Japan's close relationship with the United States also added to Japan's firm foundations in Economism within the constraints of the US-Japan alliance.

In Japan's history, there are three major sources on which foreign policy can be based: religion, nationalism, and now Economism. Japan's foreign

policy barely existed in the 15th century due to its little contact with foreign countries, but that is a foreign policy in itself. In China, Chinese political thought and system were originally codified within the realm of Confucianism. Japan's Confucian politics started to fade away toward the end of the Edo period, during which time nationalism was overtaking Japan's political thoughts leading up to Meiji Restoration in 1868. It is not exaggerating to say that the Meiji Restoration would not have happened without patriotic nationalism, which envisioned the danger of Western colonization if Japan did not civilize itself. Economism then gradually took over nationalism during the Meiji period, and became more prominent after the Pacific War. In today's Japan, Economism appears to be the driving force of its foreign policy formation.

Today, Economism seems to be the central part of foreign policy in post-war Japan. A good example of this is Japan's China policy. Despite the bitter historical legacy between the two countries, both sides downplay nationalistic sentiments. However, nationalism becomes more salient than Economism in Japan's bilateral policy where Japan has few economic stakes in the country in question. The first case study is the Senkaku/Diaoyu island dispute of the Sino-Japanese relationship. Japan has tremendous economic interests in China as compared to Russia. The second case study involves the Northern Territories dispute with Russia. Japan has little economic interest in Russia. The two case studies will analyse the two different scenarios in terms of international relations

theories and Japan's foreign policy motives. The role of Japan's unique political culture as well as the essence of Japan's decision-making system should not be discounted in the analysis of Japan's foreign policy making although this will not be discussed in depth.

Why take nationalism and cultural values into consideration?

Nationalism and cultural values can become the basis of foreign policy in some cases where little economic ties exist. This is a case worth pursuing. Nationalist sentiment is well managed in Japan's bilateral relations with an important partner such as China. Nationalist sentiments appear more apparent with Russia. We can conclude that nationalism can be a significant element of a nation's decision-making body, and nationalism is often managed, controlled, or hidden for the sake of national interests where the political and economic ties with the country concerned are significant. On the other hand, cultural factors such as national identify, cultural norms, and moral choices have significant influence in Japan's foreign policy for countries such as Russia. This policy orientation shows that nationalism and culturally defined values and factors should not be left out in the foreign policy analyses. This thesis is intended as an investigation of cultural nationalism in Japan's foreign policy and of patterns in Japan's foreign policy toward two major neighbouring countries, namely China and Russia.

Levels of Analysis and Theoretical Framework: Economism vs. Nationalism at the Bilateral Level

This thesis offers two case studies of Japan's foreign policy decision making illustrated in two of Japan's three territorial disputes. Japan's other territorial dispute is over Takeshima Island with South Korea. This dispute, however, is not included in these case studies. The two case studies are sufficient enough to examine Japan's bilateral foreign policy decision-making and what variables influence how Japan leans toward Economism or nationalism in the bilateral foreign policy decision-making towards China and Russia. The investigation of Japan's formal articulation draws upon the findings in Japan's public documents such as the Defence White Paper, Diplomatic Bluebook, and other government publications. Although it is not the primary objective of this thesis to examine various contending theories or disprove any particular theories, Economism and cultural theories such as Constructivism are discussed in a contending manner.

Level and Methods of Analysis

The primary level of analysis used in this thesis is mostly at the bilateral levels, but state-level analysis of Japan's foreign policy decision making cannot be excluded. The bilateral level of analysis plays a crucial role in the thesis of comparative studies. The benefit of using a state-level framework is especially reflected in the second case study (Northern Territories dispute with Russia)

where nationalism as opposed to Economism appears to be the base of Japan's Russia policy. In Chapter 3, special attention is paid to Japan's general attitudes toward Russia and Japan's national interests in Russia.

The reason for analyzing Japan on a state-level is due to my particular interests in cultural perspectives, which promises new and different insights into the study of international and bilateral relations. In political geography the establishment and the transformations of the system of territorial states are regarded as forms for solving problems at the bilateral or international level, hence the concepts like national interests, regulation of the economic system, and ideologies are vastly used in theories such as Realism. Such an approach is appropriate for studying the structure and dynamics of the international system of nation-states (Jordan, 1998). This thesis will include a theoretical framework built upon a cultural perspective for the analysis of the motivation behind the support of individuals for collective behaviour in conflict situations (Chapter 3). While Realism theory is used most in explaining international and bilateral politics today, nationalism and cultural perspectives cannot be left out as an alternate approaches in which the centrality of the individual human agent and its capacity for interpretation acts as a vital element in the exercise of social power (Mumme, S. P. & Grundy-Warr, C, 1998). Cultural perspectives help us understand political phenomenon not well explained by Realism.

Cross-examination of territorial disputes as well as bilateral relationships associated with the disputes helps conceptualize Japan's foreign policy decision making. In Chapter 2, the case study of the Senkaku/Diaoyu dispute is analysed. Japan's nationalist sentiment toward China is well controlled in the Senkaku/Diaoyu dispute, and Japan manages to downplay the dispute because of the significance of economic and political ties with giant China. The broader political and economic ties are, the more likely the countries concerned will downplay the dispute. To put it differently, although the nationalist sentiments are present, they are more or less suppressed or controlled for the benefit of the nation's primary interests: Economism. Chapter 3 examines the Northern Territory dispute. With Russia, Japan's nationalist sentiment toward Russia is also present and it is more obvious in the Northern Territories dispute. Japan does not downplay the dispute due to insignificant economic and political ties with Russia. I will make a comparison between the two disputes in Chapter 4. The comparison of these two case studies in Chapter 4 allows us to pinpoint which factors influence Japan's foreign policy attitudes toward the particular country. There are two kinds of independent variables in this thesis. First, the level of Japan's economic interests in the particular country in question is the primary independent variable affecting Japan's foreign policy outcome. Second, the intensity of nationalistic feelings such as distrust or rivalry toward the country in question is the secondary independent variable.

What is unique about this approach to Japan's foreign policy analysis is the comparative study of two territorial disputes with Japan's East and Northeast Asian neighbours. By comparing Japan's policy and attitude toward these current territorial disputes, I wish to conceptualize Japan's foreign policy decision-making pattern. I believe that this particular topic is worth pursuing since Japan's foreign policies in regard to its territorial disputes in East Asia in the post-Cold War period have not been extensively researched from the perspective of Japan's Economism and nationalism. The cross-examination of Japan's defence posture and the territorial dispute is unique in this regard.

Brief Literature Review

Only few attempts have been made at the analysis of Japanese foreign policy by comparing two of Japan's territorial disputes. Numerous attempts, however, have been made by scholars and observers to show individual territorial disputes and the bilateral relations and their foreign policy toward each other. For example, literature on the Senkaku/Diaoyu Islands dispute can be divided into the following three major categories. 1) Historical analyses of the dispute. 2) Political explanation of the dispute in terms of domestic or internal reasons. 3) Economic analysis of the two countries in which Senkaku/Diaoyu Island dispute is briefly mentioned among many other examples. Few literatures mention the Senkaku/Diaoyu Island dispute as an indicator of Japan's foreign policy. Most periodical articles and online sources

surveyed give only a history of the dispute itself and comment on the latest development. What seems to be lacking overall is a comparative study and the study of Japan's foreign policy formulation trend behind those territorial disputes with its neighbouring nations. For these reasons, I should like to explore a further possibility, which to the best of my knowledge has rarely been examined.

IR Theories and State Behaviour Analyses

Territoriality and foreign policy behaviour can be studied from several different perspectives, but Nationalism, Economism and Realism are the theories concerned in this thesis. Territoriality is often considered a political phenomenon that falls into the area of political science, and the central unit of analysis is often at the state-to-state level. Many analysts regard territoriality as a way to exercise control over people and resources. Hence, for such purpose, territoriality is concerned with problems at the macro level. Analysts often use concepts like national interests, stakes, and economic systems. Analyses of state behaviour often rely upon assumptions about national interests.

As mentioned earlier, foreign policy reflects what the country assigns as primary importance to them at that time. In the past, for example, Christianity was of primary importance in medieval Europe. After the Treaty of Westphalia in 1678, nationalism became more important to the citizens and politicians, and finally Economism took over in the most recent century. When Western Europeans identified themselves as Christians, they were willing to fight to the

death for Christianity to undertake crusades to the holy land. As time went by and as the state became more powerful than the church, people started to identify themselves as citizens of a particular country, for which they were prepared to fight. Today appears to be the age of Economism, though religion and national and ethnic identity remain important. People today identify themselves first and foremost as individuals concerned with their own wealth and affluence (Lawrence, n.d.). Similar analyses apply to bilateral or international politics.

In today's bilateral and international politics, many nation-states assign primary importance to the economy or to economic achievement, downplaying other factors such as religion, national identity, culture, or nationality. However, territoriality is a very interesting case in point because territorial disputes exist across times when the national importance shifted from one motivation to another. However, nationalism still plays a part in bilateral and international politics. Let me examine the two contending yet complementary theories in the study of territoriality: Realism and Nationalism in the two case studies.

Economic Realism, Territoriality, and China

Japan's Economic Realism can be seen as a new form of *Realism* in the sub-field of international political economy. Kenneth Waltz, who has had a tremendous influence on the field of security research, argues that the international state system molds states and shapes the possibilities for

cooperation or conflict. According to Wendt (1999), Waltz combines a micro-economic approach to the international system with Realist emphasis on power and interest. Some Realists attempt to explain state behaviour as conditioned by the material structure of the international system (Alagappa, 1998), but their theories vary by degree in the emphasis. First, Realists tend to take the nation-state as the key unit of analyses. Second, some Realists assume that decisions made by political actors such as politicians, corporations, and other influential individuals serve the economic interests of the hegemonic nation-state (Alagappa, 1998). Analysts such as Robert Gilpin and Susan Strange emphasize the economic foundations of political power (Griffiths, 19[redacted]). Robert Gilpin is quoted as saying that prestige ultimately rests on military or economic power, but "prestige, rather than power, is the everyday currency in international relations" (Katzensten, 1996, p. 14-15).

Economic Realism is the idea that national wealth should be given prominence in providing security, as national wealth can be pursued to increase a state's political leverage and independence. Economic power is not simply a basis on which military power rests, but it can be used to safeguard national security (Heginbotham & Samuels, 1998). Japan's Economic Realism is an economic version of Realism, yet it is a pragmatic way to pursue Japan's economic security. This pragmatic attitude can be observed in Japan's policy toward China. Sino-Japanese relations are based on solid economic foundations,

and their political behaviour and decisions clearly serve the national policy of Economism. For example, their decision to shelve the Senkaku/Diaoyu dispute until the next generation ensures the development of Sino-Japanese relations, and therein the mutual economic development. By keeping the dispute as low-profile as possible, the two countries prevent a deterioration in their wider bilateral relations. On the other hand, there is good evidence that the Russo-Japanese relations are not based on economic foundations. Some Constructivists contend that culturally defined values drive Japan's Russia policy.

Nationalism, Territoriality, and Russia

The culturally defined values that drive Japan's Russia policy include national identity, morality, nationalism, and norms. According to Katzenstein (1996), there are two kinds of norms. Institutionalized norms shape the interests that political actors pursue, while constitutive norms express actor identities that in turn shape interest and thus behaviour. Furthermore, Constructivism regards society as a socially constructed entity where the individual plays an important role in forming the collective culture and nationalism. Various norms have been institutionalized in Japan, and such norms have shaped Japan's foreign policy. In other words, institutionalized norms shape the national interests which politicians pursue in today's economy-driven world.

For example, nationalism in Japan was essential for building a civilized and modern nation after the Meiji Restoration of 1868, and has been essential for re-building the nation from the 1950s to the 1970s. When it comes to Sino-Japanese relations, nationalism may play a role in forming Japan's attitude toward China, but does not influence Japan's China policy for the sake of its economic relationship. Russo-Japanese relations, on the other hand, are influenced by culturally defined values such as nationalism and national identity rather than by economically defined values. Japan and Russia are not enjoying the same level of mutual economic benefit as Sino-Japanese bilateral relations. More details about this will be discussed in Chapter 3.

To summarize Constructivism, Katzenstein (1996) seeks to avoid the pitfalls of Realism that denies the importance of culture and nationalism. Constructivism deploys historical and cultural legacies to explain Japan's current position in its foreign policy. This approach is chosen in Chapter 3.

Japanese Government's International Decision-Making Process and Territoriality

This is a state-level analysis to look toward Japan's institutional decision-making process. This section is an additional and important discussion on the internal working of Japan's decision-making body. Many observers agree that party politics play a significant role in the policymaking process in Japan. Party politics is important in order to understand Japan's policy

formation process in general. Nakano (1997) identifies six systems of influence in the Japanese policy formation process: 1) Government executive politics, 2) Nagatacho politics, 3) Diet politics, 4) Elite Accommodation Politics, 5) Client-Oriented Politics, and 6) Public Opinion Politics or "Seron-seiji."

One of the most relevant systems to Japan's Economism is related to Elite Accommodation Politics. Many Japan observers such as Drifte (1990, 1996), William Nester (1996), and Chalmers Johnson emphasize this system as being a dominant force in Japan's policy making. A smaller number of people but at higher political or economic positions in their institutions, such as executives of the ruling party or large corporations, have a large role in Japan's policy formation process. The big three, namely the ruling party, bureaucrats, and big businesses constitute an influential policy-forming machine.

The Public Opinion Politics system has influenced the Northern Territories dispute with Russia to some degree. The media often plays an important role in forming public opinions. For example, when a Japanese university student was shot to death in Cambodia while volunteering for the United Nations, the media and the public attacked Japan's Peace Keeping Operation (PKO) for sending Japanese civilian police officers working as PKO election observers to Cambodia. As a result, many Japanese police officers participating in the PKO were relocated to much safer villages. As with the Northern Territories dispute, Hasegawa (1998) argues that Japan's public

opinion influences Japan's financial aid for Russia. This will be briefly discussed in Chapter 3.

A Case for Synthesis

As Alagappa (1998) argues, various international relations theories such as Neorealism, Realism, Neoliberalism, and Constructivism have been presented as competing and incompatible to one another. In a rapidly changing world, the analysis of foreign policy cannot be limited to one single theory. Although Realism has provided a good starting point for analysis, social and cultural analysis have recently gained acceptance by analysts. State behaviour is heavily influenced by historical, cultural, diplomatic, and domestic political contingencies which are not easily ignored if the analyst desires a complete explanation of a solution. The attachment of a national group to a territory is one of the oldest themes of international politics (Kimura & Welch, 1998). Acknowledging that nationalism can be an element of a nation's decision-making body, nationalism is often managed, controlled, or hidden for the sake of national interests where the political and economic ties with the country concerned are significant. In other words, although the Realism school of theory in international relations literature explains the relationship between target countries, cultural norms are the collective base of foreign policy. I thereby propose this model as Japan's "culture-as-the-base" model (Figure 1) which focuses on the effects that culture and institutions have on foreign policy. At the

same time, it also looks at the effects that economic and political interests have on foreign policy, and how a nation can intentionally conceal a cultural-institutional context within its foreign policy.

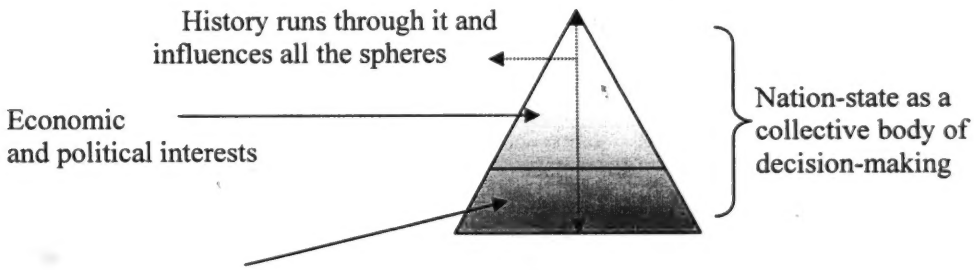

Figure 1: Japan's "Culture-as-the base" model.

Case Studies

The thesis is intended as an investigation of Japan's foreign policy decision pattern reflected in two of Japan's territorial disputes with its neighbours. This thesis comprises four chapters. This introduction is followed by Chapter 2 dealing with the discussion of Sino-Japanese relations and the Senkaku/Diaoyu dispute. Although the territorial dispute over the Senkaku/Diaoyu Island is partly driven by the symbolic significance attached to the islands, Japan's overall China policy reflects Japan's pragmatic Economism rather than nationalism. Economism took precedent over nationalism so as to serve Japan's national interests. Chapter 3 discusses Russo-Japanese relations

and the Northern Territories dispute in which we find the opposite: nationalism is prevalent over Economism in Japan's Russia policy. In the absence of sufficient economic interests in Russia, nationalism appears salient in the relationship. In the conclusion chapter, the comparative analysis of the two case studies and Japan's foreign policy patterns is synthesized.

Chapter 2

China and Senkaku/Diaoyu Islands Dispute

The island dispute over the Senkaku Islands in Japanese or the Diaoyu Islands in Chinese Japanese illustrates Japan's Economic Realism in Sino-Japanese relations. Sino-Japanese relations are often operated at dual levels, one being positive-friendly and the other being negative-antagonistic. The origin of the dispute dates back to the early 1970s when Sino-Japanese diplomacy was normalized. Although both governments have officially agreed to shelve the issue indefinitely in favour of promoting friendly and cooperative relationship (Whiting & Xin, 1990/91), the island dispute has flared up several times at both official and unofficial levels. China and Japan handle the island issue positively at one time and negatively at another time in order to gain what they want from each other.

At the positive level, both countries agreed to shelve the issue to promote economic cooperation. Pragmatic China under Deng Xiaoping skillfully used the dispute as leverage to get what China desires: Japan's Official Development

Assistance (ODA), trade, direct investments and so forth. On the other hand, as the one currently administering the islands, Japan wants to keep the issue as low-key as possible in order to ensure China's natural resources, manpower and a foothold in the Chinese market. Overall, since resource-poor Japan cannot afford to ignore or isolate giant, resource-rich China, Japan has to keep China "satisfied" by giving what China wants. Such pragmatism can be described by Realism[1] or realpolitik[2]. Many analysts have written on the island dispute, yet few have analysed the dispute as illustrating the pragmatic relationship between China and Japan. This chapter will explore the nature of Sino-Japanese relations, evaluate the dispute as strong evidence of an Economic Realism between China and Japan, and argue that Sino-Japanese relations are not of idealism, but rather of Economic Realism. This chapter will concentrate on pragmatic China-Japan economic/political relations vis-à-vis the Senkaku/Diaoyu island dispute, rather than on the discussion of legal possession of the islands.

Brief History of the Dispute

The Senkaku/Diaoyu Islands are a group of eight uninhabited rocky islands in the East China Sea, west of Japan's Okinawa Island, 190 kilometres northeast of Taiwan, and east of China's coastal province of Fujian. They are allegedly discovered by a Chinese in the 15th century, and later added to Taiwan.

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[1] According to the New Merriam-Webster Dictionary (1989), realpolitik is "politics based on practical and material factors rather than on theoretical or ethical objectives" (p. 606).

[2] According to McLean (1996), realpolitik is "a German term meaning in English the politics of the real, refers to the realist's determination to treat politics as they really are and not as the idealist would with them to be.

Despite the claim made by China and Taiwan, Japan administers the islands on the grounds it won the Sino-Japanese War (1894-1895) and occupied Taiwan and neighbouring islands until Japan's defeat in World War II. However, when the United States, which administered the islands after World War II, returned Okinawa to the Japanese, the Senkaku/Diaoyu Islands were also returned to Japan despite Japan's defeat ("Diaoyu Island," 1998; "Hong Kong Activist Drowns," 1996). China and Japan officially agreed to shelve the issue at the 1972 diplomatic normalization. However, Prime Minister Hashimoto and his party (Liberal Democratic Party) continued to support Japanese claims to the islands during his term ("Diaoyu Island," 1998; "Hashimoto Mum," 1996), and Prime Minister Koizumi also expressed his support at the 2004 National Rally to Demand the Return of the Northern Territories, held in Tokyo (Tokyo Broadcasting System, 2004; Prime Minister of Japan and His Cabinet, 2004). An emotional protest flared up in Taiwan and Hong Kong in September 1996, and a protester from Hong Kong drowned off the islands during a standoff with Japanese patrol boats ("Hong Kong Activist Drowns," 1996). The dispute issue resurfaced in January 2003 when China protested a decision by the Japanese government to lease three privately owned islands. More recently, seven Chinese were arrested and deported for illegally entering the Senkaku/Diaoyu Islands ("Chinese Deported," 2004).

The Nature of Sino-Japanese Relations

Sino-Japanese relations are said to have dual structures characterized as *honne* (one's real feelings)-*tatemae* (public behaviour) (Ijiri, 1990), soft-hard attitudes, and "friendly"-"antagonistic" relations. The dual structure is the result of ties of history, economy, and culture by which China and Japan have been bound for centuries. The earliest evidence of Economic Realism which illustrate the dual relationship was in 1972 when the two countries formally re-established diplomatic normalization. Despite their antagonistic relations prior to 1972, they had been economically "friendly" to each other by trading at semi-official or unofficial levels. By 1956, China constituted Japan's number one trade partner in East Asia with almost 30% of its exchange in that region. In the 1960s, "this 'friendship trade' was joined by 'memorandum trade' at a semiofficial level, moving Japan into first place as China's trading partner" (Whiting,1989, p. 39). In this case, politics is *tatemae*, and economics is *honne*. Economics takes precedent over politics. This example clearly illustrates the dual relationship; their official relationship is antagonistic partly due to Japan's relationship with the United States, though the economic relationship between China and Japan seems somewhat friendly. However, the nature of the "friendship" remains questionable; friendship seems to be "*tatemae*" in an attempt to gain one's pragmatic national interests. The island dispute also illustrates the dual relationship; acknowledging the importance of mutual

economic interests, both countries have agreed to shelve the island dispute for relatively immediate economic gains. This will be discussed later in more details.

Literature Review

A review of literature reveals that few writers have explicitly analysed the dispute as an indicator of the overall nature of Sino-Japanese relations. The literature can be divided into three categories: 1) historical analysis of the dispute, 2) political explanation of the dispute in terms of domestic or internal politics, and 3) economic analysis of the two countries in which the Senkaku/Diaoyu Island dispute is briefly mentioned among many other indicators. Overall, very few literatures mention the Senkaku/Diaoyu Island dispute as an indicator of pragmatic Sino-Japanese relations.

First, most of the surveyed periodical articles and online sources on the island dispute give a brief history of the dispute and the latest development of the dispute right after a protester from Hong Kong, David Chan, drowned off the islands during a standoff in September, 1996 (Ajello, 1996; Baum et al., 1996; "Diaoyu Islands," 1998; Inoue, 1972; "Islands of Conflict," 1996; "Hong Kong Activist Drowns," 1996; "Senkaku shoto mondai no keii," 1998; Ohshima, 1998; "Senkaku Shoto," 1998; Slater, 1996). Few of them look into the nature of Sino-Japanese relations, and their analysis is limited mostly within a historical scope only. Some articles and books focus on historical development

of the bilateral relations or implication of diplomatic normalization after 1972 (Hook & Howe, 1990; Iriye, 1990; Nish, 1990; Skelton, 1997).

Second, Deans (1998) attributes the dispute to internal politics, discussing that the dispute is used as a projection onto other unsettled territorial disputes. Deans argues that the dispute has significant implication for other territorial disputes of both China and Japan. For China, the dispute is another way of reinforcing its position over other South China Sea island disputes as well as China's claim to sovereignty over Taiwan. For Japan, the Senkaku/Diaoyu dispute has implications for the more serious dispute with Russia over the question of the "Northern Territories" (Deans, 1998). His argument is logical; however it does not reveal the nature of the relationship between the two involving actors, China and Japan. This chapter will investigate that question later.

As for the third category, a few authors analyse the political economy of Sino-Japanese relations. Whiting (1989, 1990/91, 1992) and Xin (1990/91) analyse overall Sino-Japanese relations in broader perspectives including history, economics, and politics. Their brief analysis of the island dispute shows Sino-Japanese relations to be nationalism-ridden and pragmatic (Whiting, 1989; Whiting & Xin, 1990/91; Whiting, 1992). They also refer to the Tiananmen Square incident of 1989, and the resulting economic sanctions on China by the G-7 countries. Japan was the first to initiate the resumption of investment and

loans despite alleged opposition from President Bush. As much as China needs Japan's loans, Japan also needs China's cheap labour and resources (Whiting & Xin, 1990/91). This leads to the idea of a dual relationship: politically antagonistic at *honne* level, yet economically cooperative at *tatemae* level for the sake of a broader bilateral relationship. However, Whiting and Xin do not analyse in detail the Economic Realism vis-à-vis the island dispute, and none compare the two disputes to the best of my knowledge.

Economic Realism

The central argument of this chapter is that Sino-Japanese relations are of Economic Realism, and the Senkaku/Diaoyu Island dispute clearly illustrates the nature of the relationship based on Economic Realism. In another word, their relations are not of idealism which argues that humans generally seek the welfare of others as well as themselves (Papp, 1997). Both governments consider one's own pragmatic national interests as being more important than the other's, and economic interests take precedent over political territorial issues at least for the immediate future. Sovereignty claims are often considered second to economics, though it is significant enough to keep under the surface level. The handling of the territorial dispute by both the Chinese and the Japanese government clearly illustrates their two-tier diplomacy. Ever since the normalization of diplomacy between China and Japan in 1972, the dispute has repeatedly flared up even though China and Japan both agreed to shelve the

island dispute in favour of agreement on the Treaty of Peace and Friendship signed in 1978 (Whiting, 1992). However, both sides repeatedly respond to the recurring dispute with two-track 'hard-soft' policy or "*tatemae*"-"*honne*" attitudes. Their soft attitudes on the island dispute led to the shelving of the issue. Their hard attitudes are to show each side's firm stance toward the unsettled territorial dispute with other countries (Deans, 1998), and also to use it as a "bargaining chip" to gain concessions from each other. The latter is especially true for China, as we will see in the following section.

The Shelving of the Issue and Economic Interests

China

China's handling of the dispute clearly indicates their economic interests in Japan, especially in Japan's Official Development Assistance (ODA) and similar assistance programs. In 1978, China and Japan signed the Treaty of Peace and Friendship in which they have both decided on shelving the island dispute until the next generation. Neither of them felt a need to push the issue any further (Whiting & Xin, 1990/91). Deng Xiaoping once said, "perhaps the next generation can handle this matter better" (Whiting, 1992, p. 48). I argue that the reason for their "shelving the issue" illustrates their Economic Realism. China's economic reliance on Japan has grown rapidly since China and Japan re-established diplomatic relations in 1972. ODA especially attracts China, and Japan has been the number one donor of ODA in China in recent years (MOFA,

1995, 1996b, 1997). The aim of Japanese ODA is to contribute to the modernization of China in their undertaking of their open and reform policies, and to contribute to the expansion of bilateral economic relations in general. Assistance can take many different forms: loans, grants, technical cooperation in both tangible and intangible forms (MOFA, 1997). The net amount of Japan's ODA to China has shown a gradual increase over the years (Figure 2).

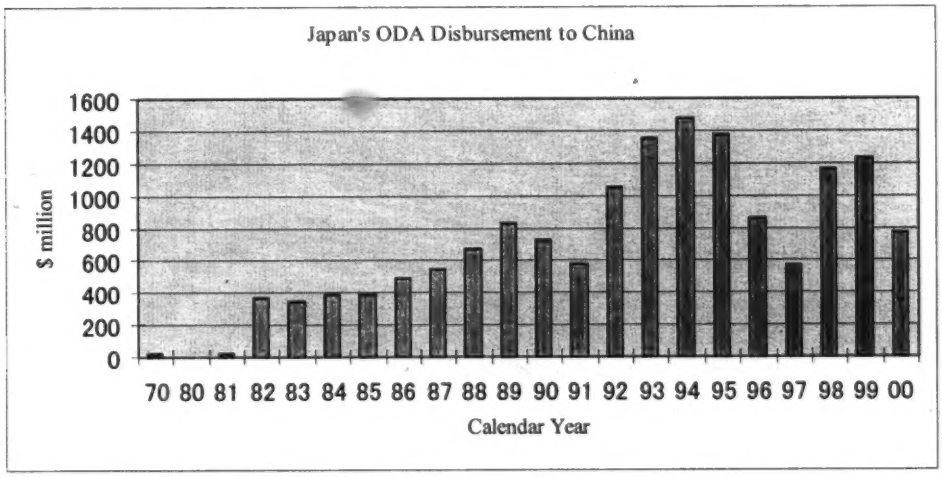

Figure 2: Japan's ODA Disbursement to China

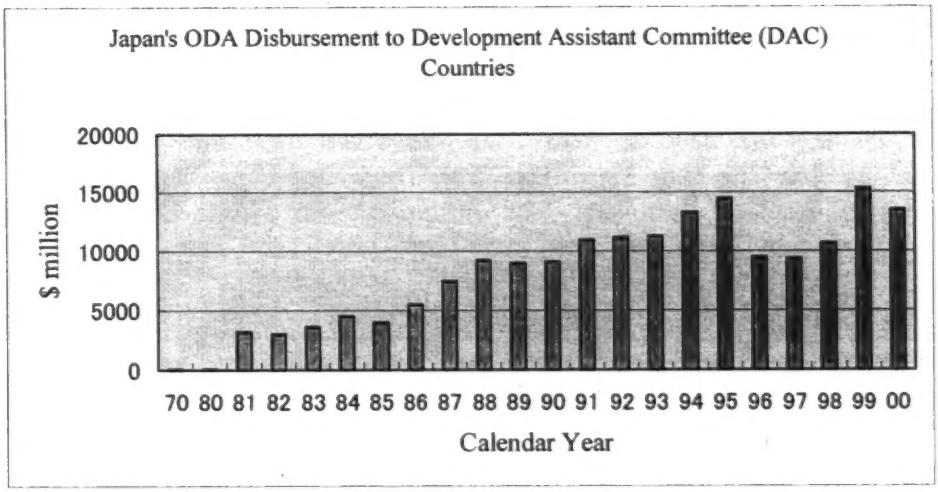
Japan's ODA Disbursement to Development Assistant Committee (DAC) Countries
$ million
20000
15000
10000
5000
0
70 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 00
Calendar Year

Figure 3: Japan's ODA Disbursement to Development Assistant Committee (DAC) Countries

$ million: based on net disbursements

Source: MOFA, 1985, 1988, 1980, 1992, 1995, 1996, 1997, 2002

However, Japan's ODA to China also has political implications, and China's response shows its Economic Realism. For example, Japan announced in August 1995 that it would not cease to extend Japan's grant aid if China did not terminate its nuclear testing. Japan later resumed grant aid after China declared a moratorium on nuclear testing in July, 1996 (Figure 2 & 3) (MOFA, 1997, 1998). This incident clearly reveals that China's economic interests took precedent over military development. By the same token, the decision by China to shelve the issue is to get economic concessions from Japan. China has attempted to keep the island issue as low-key as possible at the official level in

recent years. One of the most prominent examples of China's low-key attitude is seen in the way China handled the anti-Japanese protest in Taiwan and Hong Kong. A protest broke out in Hong Kong and Taiwan in September, 1996 in response to a Japanese right-wing group entering the island to repair the previously damaged lighthouse (Baum et al., 1996; "Hong Kong Activist Drowns," 1996; "Hashimoto Mum," 1996; Slater, 1996). Although at the unofficial level intellectuals protested quietly and hung posters on campuses to express their anger toward the right-wing group and the government of Japan, China at the official level tightly controlled similar anti-Japanese protests (Baum et al.,1996). China's "low-key" attitude does not mean their intention of giving up sovereignty over the island, but their intention of keeping friendly and cooperative relations for the sake of China's economic interests for the foreseeable future.

At the same time, China skillfully utilizes negative means to reinforce Japan's ODA and similar assistance. This is the other side of the dual relationship. One of the official government sources, Beijing Review, repeatedly criticizes Japan's handling of the dispute as follows:

> In the last few weeks Japan has carried out a series of provocative actions over the Diaoyu Islands, Chinese territory, situated between Taiwan and southern Japan.... Asian countries have long expressed their concern that Japan will embark on its old roads of militarism. These fears are not groundless as this series of activities seem to prove. Asian countries should inform expansionist Japanese to refrain from doing anything foolish. At the same time, Asia must maintain high vigilance over Japan's action (Da, 1996, p. 7).

I argue that their explicit propaganda has two functions, 1) a projection to China's unsettled territorial dispute such as Taiwan and the Spratly Islands, including the Senkaku/Diaoyu Island, and 2) an indirect way of acquiring economic concessions from Japan. First, China indirectly challenges Japan over the sovereignty issue. It is clear that China intends to let Japan know that China will not simply forget the dispute in spite of their mutual decision to shelve the issue indefinitely. Also, as Deans (1998) argues, China wants to keep the island issue alive to show China's intention of not giving up any of its territorial issues including the South China Sea islands. Second, and more relevantly, it is an indirect way to gain concessions from Japan by playing on Japan's war guilt. Japan extends its ODA and similar assistance to China in part because of a sense of guilt over the death and damages inflicted upon China in the 1930's and 1940s (Whiting, 1992). China is fully aware of such Japanese attitudes and often tries to get benefits by putting pressure on Japan through carefully planned strategies and a well-calculated policy of Chinese "cultural diplomacy" (Ijiri, 1990).

In the same article, the Beijing Review also mentions Japan's highly nationalistic actions by referring to the textbook issue in which Japan's Ministry of Education fails to explicitly acknowledge several atrocities committed on Chinese soil by the Japanese in the early twentieth century. Another recurring

theme, Japan's Yasukuni Shrine issue[3], is also found in the article. When a problem like the right-wing's lighthouse issue and resulting protests occurs, China repeatedly opposes Japan, and Japan tends to make concessions in order to remove immediate friction with China (Iriji, 1990). A few months after a repeated verbal attack on Japan's handling of the island dispute in the Beijing Review, both countries signed and exchanged diplomatic notes for 22 projects in December 1996, amounting to 170.7 billion yen for fiscal 1996 (MOFA, 1998). This reveals China's pragmatic, strategic, and realistic course of action; instead of waging a real war on the island sovereignty issue, China wages an indirect verbal war against the Japanese government, which brings benefits to China's economic interests. At the same time, these Beijing Review articles serve to display China's intention of keeping the issue alive.

Japan

The pragmatic reason for Japan's decision to shelve the issue is twofold: 1) Japan's dependence on China's resources and cheap labour and 2) Japan's fear of isolating or ignoring a significant country like China. First, as an old cliché says, "Japan has what China lacks, funds and technology, and China has what Japan lacks, resources and manpower. Close connection of these two aspects

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[3] Yasukuni Shrine enshrined the Japanese war dead including the executed Class A war criminals. Visits made by Japanese high officials raised emotional controversies inside and outside Japan. Former Prime Minister Nakasone officially visited Yasukuni Shrine in August 1985. A month later, the anti-Japanese student demonstrations broke out in various universities in China partly in response to China's perception of Japan's re-militarism. In 1996, Prime Minister Hashimoto unofficially visited the Shrine in July ("Hashimoto Mum," 1996). Coincidentally, the island dispute cropped up a few months later which resulted in the Chinese protests in Hong Kong and Taiwan in September 1996.

will produce a wonderful economic result (Whiting, 1989). Resource-poor Japan cannot survive today without importing natural resources essential to the Japan's economy. China has become an important source of natural resources since the 1970s, and "the Chinese economy acquired a new interest to Japan as a source of coal and oil, independent of the Middle East" (Howe, 1996, p. 110). Cheap labour is another attraction. Japan's private sector has increasingly thrown direct investment into China. Also, the Ministry of Foreign Affairs of Japan also recognizes that "[o]riginally direct investments in China were made with the objective of reducing labor costs by commissioning the assembly of goods for export. But in recent years the aim has shifted toward gaining a foothold on the Chinese market" (MOFA, 1998). Although some analysts speculate that China needs Japan more than vice-versa (Whiting, 1989; Whiting & Xin, 1990/91), the Japanese government's low-key attitude toward the island dispute shows the importance of China's resources, labour-power, and market for Japan.

Second, in comparison, Japan has relatively less economic motivation than China does when shelving the issue, but Japan still feels the need to maintain the status quo bilateral relationship in order to avoid numerous negative side effects. China is too important to ignore or isolate both politically and economically; therefore, Japan needs to keep the island issue as quiet as possible, and keep a "friendly and cooperative" bilateral relationship. For

example, Japan cannot ignore China's growing market for consumer goods. China's GDP grew almost tenfold from 1980 to 1994 (Lii, 1996). According to Lii (1996), only 40% of households in China own a colour TV, and only 25% own a refrigerator. With China's GDP and purchasing power growing, Japan cannot ignore such a huge potential market, although Japan has had a trade deficit with China since 1988 (MOFA, 1998). Politically, China is too big and significant for Japan to fall out of favour with, and too dangerous to be an enemy. China can always make Japan suffer if they so desire. For example, China is capable to letting Chinese "boat people" escape to Japan (W. Jiang, personal communication, March 17, 1998). For Japan, it is wise to shelve the issue and keep a friendly attitude at the "*tatemae*" level in order to avoid potential negative consequences.

Conflict Development since 1972

China and Japan's Economic Realism towards each other is evident in almost every political and economic exchange during the repeatedly raised island dispute. Despite the effort to shelve the dispute since 1972, the question of sovereignty repeatedly flared up, and it is therefore worth cross-examining the relationship between events of conflict vis-à-vis the island dispute and Japan's ODA to China in an attempt to find evidence of Economic Realism. Earlier developments in the 1970s are left out from this analysis. The disputes repeatedly erupted in 1985, 1990, 1992, 1996, and 2003. In the 1985, the

Senkaku/Diaoyu Island dispute came under attack as a part of the anti-Japanese student demonstrations which erupted in several universities in China (Whiting, 1989). The movement is said to have two causes: protest against the perception of Japan's remilitarism and against Japan's economic "invasion" of China. In the same year, in spite of such a negative protest against Japan, Japan's ODA to China stayed at the same level from 1984 to 1985, and it showed an almost 10% increase from 1985 to 1986 (MOFA, 1988). The fact that the anti-Japanese protest in major cities did not reduce, but rather let to an *increase* the amount of ODA to China indicates the separation of politics and economics referred to as dualism on the Japanese side.

In 1990, the Japanese government decided it would allow the right-wing group to renovate a lighthouse they had previously built on the islands. This was quickly followed by demonstrations in Taiwan and Hong Kong. China also responded quickly, but much more mildly. The Chinese government reportedly refused to give permission to university students and staff for demonstrations against the Japanese government. At the same time, Premier Li Peng was virtually begging for Japan to expedite resumption of ODA loans which had been affected by the Tiananmen Incident of the previous year (Whiting, 1990/91). It is clear that China's economic interests took precedent over the politically based island dispute, and China managed to keep their cool, suppressing nationalistic sentiments for the sake of economic concessions.

In 1992, another event indicated the dualistic nature of Sino-Japanese relations. The Chinese government promulgated a "Law on the Territorial Waters" that reasserts their claim to "undisputed sovereignty" and authorized use of military force to prevent other states from occupying the islands (Hyer, 1995; MOFA, 1993). In response, the Japanese government announced that the Senkaku/Diaoyu Islands were a territory of Japan, and strongly protested and demanded a correction (MOFA, 1993). In this instance, both sides took a relatively hard stance toward each other on the island issue, but then relations interestingly warmed up quickly. After taking a relatively big plunge in 1991, Japan's ODA to China increased almost twofold from US$583.29 million in 1991 to US$1,050.76 million in 1992[4] despite the steady upward trend in Japan's ODA to other Development Assistance Committee (DAC) countries (Figure 2&3) (MOFA, 1997). This may reveal the determination of both sides to separate economic interests from the politics-based island dispute, and also it shows the dualism of the hard/soft attitude. In another word, Economic Realism is evident in this case, and it supports the idea of a two-tier relationship as well. The hard stance is used to project each other's intention of not giving up the sovereignty dispute, while Japan's soft stance of resuming development assistance is to assist the pragmatic business interests of Japan's business sector.

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[4] However, this sharp ODA increase may be related to other political and economic factors: the Tiananmen Square massacre and related Japan's business interests. Japan's ODA to China sharply declined from 1989 to 1991. The 1990 and 1991 decline may be the result of the Tiananmen Square incident after which economic sanction was imposed. And the 1992 increase may be the result of Japan's decision at the Houston summit of July 1990 to resume Japan's assistance to China.

The year 1996 is another interesting case that displays the pragmatism in Sino-Japanese relations. The Chinese Foreign Minister warned Japan of 'serious damage' to bilateral relations if Japan did not act to prevent further actions by Japanese right-wing group members who, a month earlier, had allegedly been allowed to enter the islands to repair the damaged lighthouse. A few days later, a protester from Hong Kong drowned off the islands during a standoff between the Japanese coast guard and the protesters ("Hong Kong Activist Drowns," 1996). These issues caused passionate anti-Japanese demonstrations among Chinese activists in Hong Kong and Taiwan. In response to the demonstrations, the Chinese government tightly controlled anti-Japanese protests in China (Baum et al., 1996), in large part, to avoid negative economic consequences. As for Japan's ODA to China for 1996, a few months later in December, Japan and China signed further yen loans to China, amounting to 170.5 billion yen for fiscal 1996 (MOFA, 1998). China's quick action successfully resulted in further financial assistance from Japan. China's response is clear evidence of their Economic Realism; China puts economic interests before the political island dispute.

The dispute did not resurface again in the Sino-Japanese relationship until January 2003. The Japanese government leased three of the five disputed islands from a private owner. The Chinese government officially protested Tokyo's decision. Afterwards, Vice Minister of Foreign Affairs, Yukiko

Takeuchi, announced that Japan wished any problems that arise between the two countries would not adversely affect the overall bilateral relationship. Japan enjoyed good economic relations in 2002 when Japanese exports to China increased 32 percent from the previous year (Pryzstup, 2003). Takeuchi's comment is a clear indication that while Japan's basic position remains unchanged, Japan also needs to avoid a downturn in economic relations not to mention the overall bilateral relationship.

The Prospect of the Island Dispute

The dilemma of the island dispute is the conflicting goals: sovereignty over the island and economic and political cooperation for the sake of one's national stability. The two goals realistically cannot simultaneously be achieved. One of the ideal solutions is for both sides to negotiate and neutralize the issue while agreeing to share the potential minerals and natural resources said to exist in the vicinity of the island. It is quite clear that China and Japan want to find the most advantageous solution to maximize one's gain. China needs Japan's capital, technology, and ODA, while Japan needs China's resources, manpower, and reliable access to China's market. Because of this intertwined relationship, neither can afford to fight physically over the sovereignty at the risk of an economic downfall. So far, "Japan's 'wicked tactic' of 'postponing resolution' had become a virtue" (Hyer, 1995, p. 44). The shelving of the issue only temporarily releases immediate problems, yet it is the safest resolution for now.

For these reasons, it is likely that both sides will downplay the island dispute for the sake of their wider bilateral relations as long as possible.

Quiet but Steady Claim

As I have observed in this chapter, both China and Japan downplay nationalism to avoid economic downfall and to gain economic advantages. However, there is some evidence that both sides continuously claim the islands out of nationalist sentiment officially but quietly. After Taiwan and China found out that the Japanese government leased three of the five Senkaku/Diaoyu Islands from their private owners, the Japanese government made the following comment:

> The Senkaku Islands are territory belonging solely to Japan, and we have to prevent the resale of the islands and the illegal landing of third parties ("Lease of disputed Senkaku Islands riles China, Taiwan," 2003).

According to a government official, the lease of the disputed islands is to "stabilize its ownership." In spite of the evidence showing Japan's Economic Realism, their claim over the disputed islands shows 1) Japan's unchanged position, and 2) territorial nationalism arose from its national identity.

Recently, the Chinese government also quietly reaffirmed its sovereignty over the islands. Foreign Minister spokesperson, Zhang Oiyu, was quoted in October, 2003 as saying that the islands and its adjacent islands "have been an integral part of China's territory since ancient times," and that "the determination of the Chinese Government and people to safeguard national

sovereignty and territorial integrity is unswerving" ("Determined to defend Diaoyu Islands," 2003). These comments were made in response to the incident when Chinese activists hoping to put up the Chinese flag on one of the Senkaku/Diaoyu Islands were turned away by Japan's coast Guard in the same month.

Evidence of "controlled" nationalism and territorial claim

Ministry of Foreign Affairs' official statements are a strong indicator of "controlled" nationalism serving to limit damage to the bilateral relationship. Let us first look at the Chinese government's official view on the issue of the Senkaku/Diaoyu Islands dispute:

> Like Taiwan, Diaoyu Islands are inalienable part of the territory of the People's Republic of China, China enjoys indisputable sovereignty over these islands and the natural resources in its affiliated sea areas. China's sovereignty over these islands is fully proven by history and is legally well-founded. In view of the different positions on Diaoyu Islands from the Japanese side, the Chinese government, proceeding from the development of the Sino-Japanese relations and on condition of adhering to the Chinese consistent positions, reached an understanding with the Japanese government: (1) The issue of the Diaoyu Islands shall be shelved for future settlement, (2) neither sides should take unilateral actions and (3) The two sides should try to prevent this issue from becoming and disturbing factor in the overall bilateral relations (Ministry of Foreign Affairs of the People's Republic of China, 2001).

Despite the nationalistic comment made above by Zhang Oiyu, Foreign Ministry spokesperson, the Ministry of Foreign Affairs of the People's Republic of China admits that the 'postponing solution' is mutually beneficial overall. Such

suppressed nationalism with regard to the dispute worked out well. The total volume of trade between the two countries increased by 15% in 2002 from the previous year (MOFA, 2003).

Japan also attempts to keep nationalism as low-key as possible. The brief resurface of the dispute in the early part of 2004 and how the Japanese Government handled the situation indicate its *tatemae* diplomacy again and Japan's wish to maintain or better Japan's economic relationship with China. The most recent flare-up over the islands in March 2004 when seven Chinese civilians landed on one of the Senkaku Islands indicates Japan's desperate attempt to prevent a chillier Sino-Japanese political relationship. After the arrest, the Japanese police initially leaned toward prosecuting the seven in Japan, as Foreign Minister Kawaguchi initially indicated that the islands are Japanese territory and the Chinese activists would be dealt with according to Japanese law. However, the stance suddenly shifted to accommodate China's demand. A Japanese police official was quoted as saying that "at the last minute, politics interfered ("Chinese Activists," 2004)". China demanded that Tokyo immediately and unconditionally release the seven without prosecuting them within Japan. In response, the Japanese government agreed to release them unconditionally in a hope to avoid upsetting their political and economic relationship (Chinese Activists, 2004). Prime Minister Koizumi is quoted as saying that "this issue must not have an adverse affect on the Sino-Japanese

relationship. Japan needs to place the issue in a larger Sino-Japanese context and to make a rational decision ("Senkaku Joriku," 2004; translated by K. Higashida)." Japan's *honne* policy would have been to prosecute them according to Japan's law and justice system, but the *tatemae* policy had to be taken to keep China happy. This incident illustrates Japan's political and Economic Realism over moral values. Japan chooses politics over a law and justice approach because Japan's economic stakes are very high in China.

Conclusion

The Senkaku/Diaoyu Island dispute is a strong indicator of Economic Realism in Sino-Japanese relations as well as of controlled, low-keyed nationalism. Their two-tier diplomacy is apparent in both positive and negative sides. In the positive side, both countries agreed to shelve the issue for the sake of idealistic "friendship and cooperation," thus for pragmatic economic interests. This works well for China in gaining Japan's ODA, capital, and technology. This also works well for Japan in maintaining the current "friendly and cooperative" bilateral relationship by assisting China with ODA and similar forms of assistance. Japan cannot isolate or ignore giant China, as it might lead to negative economic consequences. However, resource-poor Japan also needs China's natural resources and cheap labour. To achieve each side's pragmatic interests, both sides successfully downplay the dispute, at least at official level when the issue erupts in public. In the negative side, both sides show a quiet

hard attitude in an attempt to reinforce one's claim on the islands. This action also functions in asserting claims on other unsettled territorial disputes with other countries, namely the South China Sea Islands for China and the "Northern Territories" for Japan. China also indirectly uses the dispute as leverage to gain more economic concessions from Japan since China is well aware of Japan's war guilt toward China. So far, both sides have successfully avoided direct disadvantageous confrontations for immediate national economic interests. This evidence reveals that the two-tier diplomacy in Sino-Japanese relations are based on Economic Realism, placing economics ahead of politics or nationalism, and China and Japan's handling of the island dispute is strong evidence of Japan's Economic Realism in Sino-Japanese relations.

Chapter 3

Russia and Northern Territories Dispute

In contrast to what we learned in the previous chapter, Japan's foreign policy articulation reflected in the Northern Territories issues displays nationalism rather than Economic Realism. Such discussion is interesting and important for the analyses of international relations theories, especially where Realism has often been presented as the mainstream paradigm. Realism does not accommodate the cultural and historical dimensions of actors, but rather focuses on a certain logic of economic survival and the balance of power. In this chapter, I argue that Japan's foreign policy behaviour toward Russia is linked to national identity, norms, morality and nationalism more so than to Economic Realism. Even a leading international relations scholar, Waltz (1986) once admitted, "Realist theory can by itself handle some, but not all, of the problems that concern us" (Waltz, 1986, p. 331). No one theory can comprehensively explain international politics. In the case of Russo-Japanese

relations, deep mistrust and Japanese morality characterize the nature of Japan's Russia policy as discussed below.

Before we begin, it should be noted that the cultural perspective is confronted by difficulties. The cultural perspective often cannot provide empirical evidence to support ideas such as "there is strong evidence that nationalism, norms, or national identities drive Japan's Russia policy (Kumura & Welch, 1998)," because such analyses require interpretation of the meaning and is therefore a subjective judgment. From a social scientific perspective that utilizes observation, measurement, and testing, the cultural perspective may not appear scientific enough in that sense. However, the cultural perspective is important as it can better explain Japan's policy toward the Northern Territories dispute and Russia. Hiroshi Kimura, a leading scholar of the Russia-Japanese relationship, contends that the influences of race, temperament and culture on politics and diplomacy are so complex and diverse that racial and cultural affinities can insert friendship or animosity into diplomacy (Kimura, 1995). He inquires into the roles of antipathy, ideological differences, a military threat, temperamental differences, territorial differences, and mistrust in the bilateral relationship.

This chapter consists of six sections: 1) Brief History of the Dispute, 2) the Nature of Russo-Japanese political and economic relations, 3) Economic Realism Perspective in Japan's Russia Policy, 4) Cultural perspective in Japan's

Russia Policy, 5) the Prospect of the Dispute, and 6) Conclusion of the Chapter. I will first provide basic information about the dispute and Russo-Japanese relations. I will then discuss and analyse the nature of the economic relationship in order to investigate whether there is any indication of Japan's Economic Realism observed in its Russia policy and its stance on the Northern Territories dispute. The final discussion examines whether Japan's Russia policy reflects cultural nationalism from the cultural perspective. To put it differently, I will look at Japan's foreign policy articulation toward Russia from the economic Realism perspective and then from the cultural perspective to have an even-sided analyses. However, please note that the legal possession issue of the Northern Territories other than outlining the main relevant treaties in the next section, is not of immediate relevance as such a digression would undoubtedly obscure the outline of my argument. This chapter will concentrate on Japan's relations with Russia in the historical and cultural settings as well as its economic relations with Russia, rather than on the discussion of legal possession of the islands.

Brief History of the Dispute

The" Northern Territories" (Figure 4) has been the focal point of Russo-Japanese relations for over half of a century. When the Japanese government talks about the Russo-Japanese relationship, it almost always refers to the territorial issues between Russia and Japan and a peace treaty. As

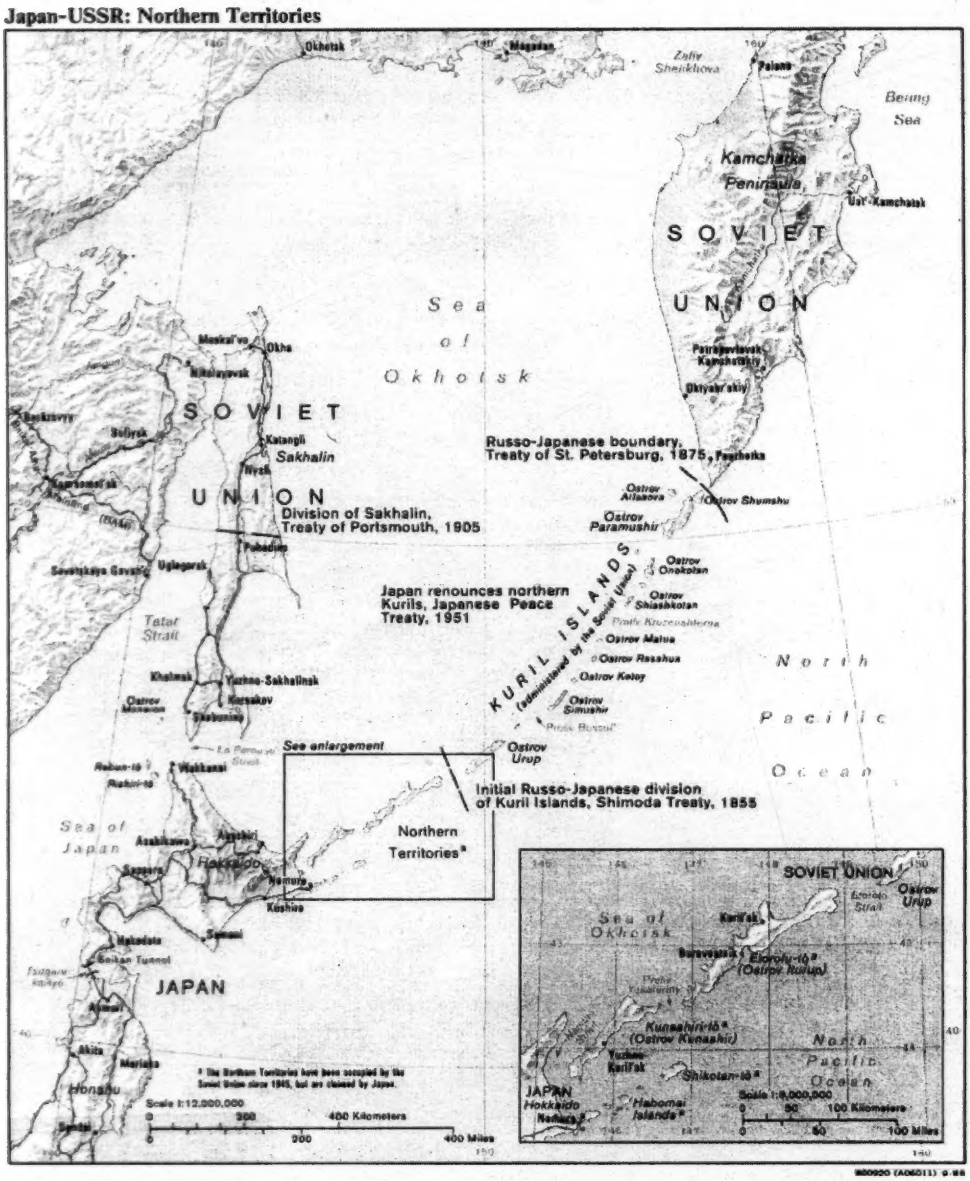

Figure 4 : A map of the disputed Northern Territories ("Japan-USSR," n.d.).

Hasegawa (1992) puts it, the Northern Territories problem has been treated as "religion" and the problem has become a substitute for Japan's Russia policy (Hasegawa, 1992). The Northern Territories dispute has become the overriding issue in Japan's Russia policy in the absence of other major strategic or economic interest of Japan in Russia.

The disputed four islands[5] are often referred to as "Northern Territories" in Japan and "South Kurile District" in Russia (Andersen, 2001). The "Northern Territories," defined by the Japanese government, means the four-island group of Kunashiri, Etorofu, Shikotan, and the Habomai islets. According to Hara (1998), the "Northern Territories in a wider sense includes all the pre-World War II Japanese territories under Russian control, i.e., Southern Sakhalin and all the islands between Hokkaido and the Kamchatka Peninsula including the above island groups" (Hara, 1998, p. 240). To avoid further confusion, however, I will call the disputed area as "Northern Territories" in this thesis. The Northern Territories are currently occupied by Russia and claimed by Japan. The dispute dates back to the twilight of World War II when Soviet troops occupied the four islands north of Hokkaido. On February 11, 1945 at the Yalta conference, with Roosevelt and Churchill, Stalin had been promised the islands if the Soviet Union participated in the war against Japan. On the other hand, Japan's claim to

[5] The disputed four islands need initial clarification to avoid unnecessary confusion. What they call "four islands" are not exactly four islands but three islands plus a chain of islets. The first three are Etorofu, Kunashiri, and Shikotan Islands. The chain of islets is called the Habomais or Habomai Islands which technically consist of Shikotan and eleven islets. In this paper, I will also call them four islands that constitute Etorofu, Kunashiri, Shikotan, and the Habomais..

the islands is based on the fact that these islands were Japanese territories since the 1855 Treaty of Commerce agreeing that the boundary between Japan and Russia lay between Etorofu and Uruppu, and that they should not have been reverted to the Soviet Union. As Japan's Ministry of Foreign Affairs (MOFA) puts it, the islands are "illegally occupied by Russia" (MOFA, n.d., "Overview of the Issue"). Russia's claim on the other hand refers to terminology and technicalities discussed in the Yalta agreement (1945), Potsdam Declaration (1945), and San Francisco Treaty (1956). To get the whole picture, I will provide both Russia's claim and Japan's claim on the islands.

Russia's Claim on the Dispute

Russia's claim is based on three agreements or treaties. First, the 1945 Yalta Agreement promised the Kurile Islands to the Soviet Union in exchange for Soviet participation in the war. In Yalta, the United States and Britain generally accepted Stalin's request that the former Soviet rights violated by Japan's attack during the Russo-Japanese war of 1904 be restored. The Soviet Union demanded that the southern part of Sakhalin and its adjacent islands should be reverted to the Soviet Union, and the Kurile islands should be handed over to the Soviet Union (Andersen, 2001).

Second, the 1945 Potsdam Declaration states that Japanese sovereignty should be limited to the four major islands of Hokkaido, Honshu, Shikoku, and Kyushu, and other such 'minor' islands as determined by the Allies. Russia thus

claims that the Japanese government had known that Japan's boundaries prior to its surrender were not guaranteed (MacWha, 2001).

Third, the 1951 San Francisco Treaty states that Japan was to renounce all claims to the Kurile Islands that Japan took "by violence and greed." The Soviet Union did not sign the San Francisco Peace Treaty because of the disagreement on the border with Japan. Russia asserts that although it did not sign, its stipulations are binding to Japan because Japan signed the treaty (MacWha, 2001). Nimmo (1994) briefly summarizes the Soviet position on the southern Kuriles that "there was a war and Japan lost, and a nation that loses a war loses territory" (Nimmo, 1994, p. 175). Russia stakes its claim that the Northern Territories are theirs based on these three points.

Japan's Claim on the Dispute

The Japanese government unilaterally blames Russia, and traces the origin of the Northern Territories issue back to September 1945, approximately one month after Japan's defeat. From MOFA's point of view, the Soviet forces illegally incorporated the Kuriles and other neighbouring islands on August 18 and August 27 when assuring that American troops were absent. According to a MOFA publication, such Soviet occupation was illegal, and the four islands should be returned to Japan (MOFA, 1996a). Japan has not accepted the Soviet claim that the dispute was resolved when Japan was defeated in World War II. The Government of Japan claims that "nearing the end of the Second World

War, the Soviet Union ignored the Neutrality Pact that was valid between Japan and the Soviet Union, and entered the war against Japan. After Japan had accepted the terms of the Potsdam Declaration, Soviet forces occupied all of the four Northern Islands from 28 August 1945 to 5 September 1945" (MOFA, n.d., "Overview of the Issue," 1[3]). The Soviet Union subsequently unilaterally incorporated the territories under occupation into its own territories and by 1949 had forcibly deported all Japanese residents of the four islands (MOFA, n.d., "Overview of the Issue," 1[3]).

The Nature of Russo-Japanese Relations

Russo-Japanese relations have seen ups and downs, but mostly downs. Overall, little improvement has been made since 1945. Though the political relationship has improved somewhat in the post-Cold War era, the economic relationship has seen little progress.

The Japanese-Russian relationship has slightly warmed since the disintegration of the Soviet Union, but tensions remain due to the unsolved Northern Territories dispute. Russia and Japan had an antagonistic relationship for many decades, yet in recent years both sides appear to have sought political rapprochement in the post-Cold War environment. The decades of that antagonistic relationship made it difficult to build a close relationship between the two neighbouring countries. Historically, Japan and Russia clashed in the Russo-Japanese war between 1904 and 1905, and later at the battle of Khalkin

Gol (or "Nomonhan Incident" as called by the Japanese) killing 18,000 Japanese troops (Barber, 2000). Russia's defeat in the conflict consequently led to Japan's expansion into the territories. Russia, however, "revenged" when the Soviet Union declared war against Japan in 1945 almost at the end of World War II. Until 1991, Japan became one of the important allies of the US, and the Soviet Union became the archenemy of the Western alliance. This automatically cast Japan as an "enemy" of the Soviet Union. The historical antagonism between Russia and Japan was further fueled in the Cold War bipolar system.

In the post-Cold War era, the political relationship between the two nations improved somewhat. For example, Japan and Russia resumed vice-ministerial level discussions on a possible peace treaty in 1992. Another significant agreement called the "Hashimoto-Yeltsin Plan" was reached in 1997 at a "no-neckties" summit held in November, 1997 at Krasnoyarsk. This plan covers a range of political and economic issues between the two nations. The significance of this summit is that both sides agreed to sign a peace treaty by the year 2000 (Kimura, 2000). Another significant improvement made at the summit was the adoption of a "multilayered" approach by Japan whereby Japan proposed an attempt by both nations to improve the bilateral relationship in all areas simultaneously including a peace treaty, economic cooperation, development of Russia's Far East energy development, and cooperation on

international issues for the stability of the world and the region (Hasegawa, 1998). Although Japan and Russia have not signed a peace treaty as yet, the political relationship has improved somewhat in the post-Cold War era.

Economic relations between Japan and Russia saw little improvement neither during the Cold War nor after. Russo-Japanese relations have not only been overshadowed by US and Chinese relations with both Russia and Japan, but also were the weakest bilateral relations among the major powers. It is said that Russia needs Japan far greater than Japan needs Russia, and Japan values its bilateral relationship with China and the US far greater than that with Russia. The economic exchange between the two nations has still been very modest to date. Japan's trade with Russia accounted for less than 2% of all Japanese trade in the latter part of the 1980s (Menon, 1997) and for less than 1% of all Japanese trade in most of 1990s (Kimura, 2000). Japanese investment in Russia is also very meager at US$8 million at the end of the first quarter of 1995, which is only 3.5 % of all foreign investment in Russia, or 0.1 % of all Japanese foreign investment worldwide (Menon, 1997). Japan's trade with Russia in 1998 amounted to US$3.9 billion which is only 0.7 percent of Japan's total world trade while Japan's trade with the United States and China accounted for approximately 25 percent and 8.4 percent of Japan's total world trade respectively (Kimura, 2000). Japan considers Russia to be of less importance to

Japan than other neighbouring countries such as China, South Korea, and Taiwan both economically and strategically.

Japan also has been reluctant to disburse large-scale economic aid to the USSR and Russia. While this unwillingness is linked to the territorial dispute, it is also based on economic reasons. McDougall (1997) said that any aid would be wasted until Russia reforms its economy. Former Prime Minister Kaifu's spokesperson and Kaifu himself made a comment in 1990 that money would be wasted in aid to Russia (McDougall, 1997). Hasegawa (1995b) argues that little improvement in economic relations is directly linked to the little progress made on the territorial dispute due to Japan's position on linkage between economics and politics. Japan takes the position on the "entrance approach" or *iriguchiron* (入口論) whereby Japan would not consider a peace treaty without first solving the Northern Territories dispute. On the other hand, "exit approach" or *deguchiron* (出口論), preferred by Russia, is to first sign a peace treaty and to increase bilateral cooperation in such fields as Japan's aid to Russia and bilateral trade followed by an effort to solve the territorial dispute later (Hasegawa, 1995a). The question of linkage between economic aid and the territorial dispute continued to dominate both the economic and political relationship between Japan and Russia. Having reviewed the nature of Russo-Japanese relations, we may now turn to the discussion of Economic Realism and nationalism in Japan's Russia policy.

Economic Realism Perspective in Japan's Russia Policy

A Realist may argue that Japan's Russia policy indicates Japan's Economic Realism approach. Japan's low economic engagement with Russia illustrates Economic Realism in such a way that Japan would be better off avoiding Russia. The discussion in this section is whether or not Russo-Japanese relations display Japan's Economic Realism, and whether or not the Northern Territories dispute indirectly illustrates Economic Realism. The answer is, for the most part, no, for I argue that the way Japan deals with Russia indirectly indicates Japan's Economic Realistic approach. Although the evidence of Japan's unwillingness to become economically involved with Russia does show Japan's Economic Realism to some degree, I speculate that it illustrates pragmatic Economism only to avoid negative economic consequences. It must be added, however, that the argument is difficult to prove due to the low level of economic exchange between the two nations and Japan's little economic interest in Russia. I therefore hypothesize that Japan would not have pursued the territorial dispute if Russia were an ideal economic partner of Japan. It is Japan's Economic Realistic decision *not* to shelve the territorial dispute because Japan does not have an economic interest in Russia in the first place.

From the standpoint of Economic Realism, Japan's reason for its unhesitating claim on the Northern Territories is quite clear. There is no urge to shelve the issue for Japan i) because of little economic incentive to improve

political and economic relationship with Russia by withholding the dispute, and ii) because of Japan's unwillingness to get economically involved with Russia. The following four questions will be tackled in this section: A) Why does Japan have little economic incentive to shelve the issue? B) Why does Japan want to avoid deeper economic involvement with Russia? C) What evidence illustrates such unwillingness? D) How do these factors explain Japan's Economic Realism? These questions will be contrasted with a cultural analysis later.

A) Why does Japan have little economic incentive to shelve the issue?

Japan's lethargy in its economic relationship with Russia permits Japan to persistently claim the return of the Northern Territories. In the absence of strong economic interest in Russia, Japan considers Russia of secondary importance to Japan's pragmatic national economic interests (Odgaard, 2001). While it is pragmatic for Japan to shelve the Senkaku/Diaoyu Islands issue so as to maintain a healthy economic relationship with China, shelving the Northern Territories issue does not serve any economic interests of Japan. Why is there no economic incentive for Japan?

B) Why does Japan want to avoid Economic Involvement with Russia?

There are four reasons for Japan's low economic exchange with Russia. 1) Russia's worsening economic situation, 2) Russia's unpaid debt to Japan, 3) unfavorable business environment in Russia, and 4) bad business experiences with Russia in the past. The first reason is Russia's worsening domestic

economy in the 1990s. Perestroika and other reforms led by Yeltsin took Russia into economic instability, chaos, and crisis. This resulted in a great reduction of Russia's economic capabilities as a trading partner (Kimura, 2000). Second, Russia's unpaid debt to Japan in the mid 1990s amounted to US$3.59 billion – which is more than 75% of total exports. Third, Russia's undeveloped business infrastructure warded off Japanese business people and investors who frequently complained about the slow development of Russia's business infrastructure in such area as taxes, custom duties, decentralization, statistics, and financing. The Japanese government is well aware of the problems when they state that:

> Investment into Russia from Japan also remains sluggish. In 1998, imports from Russia to Japan fell by 27%, while exports from Japan to Russia declined 4%. One of the principal reasons for this situation is that many Japanese companies could not help reviewing their business with Russia as a result of Russia's economic crisis in August 1998 and deciding to reduce their level of activity (MOFA, 1999).

There are a few more factors that explain Japan's low economic exchange with Russia. First, Japan does not need Russia for Japan's economic development because of the presence of many other reliable trading partners such as the United States, China, and South Korea. Second, Russia is an unattractive partner of Japan. Some observers argue that Japan has economic interests in Russia due to economic complementarity. However I argue that to say that a resource-rich country like Russia is in a strong position to gain political concessions from a resource-poor nation like Japan is a misleading conclusion. Some scholars support the idea that the prospects for a better bilateral

relationship between Japan and Russia sound promising given this supposed mutual economic complementarity between the countries (Kimura, 1998). Japan lacks natural resources while Russia lacks economic power which has basically been operating at the level of a developing country. Although, as Kimura (2000) argues, there may be some extent of economic complementarity between the two countries today and in the past, any resource-rich country can be a candidate for a resource-poor country like Japan. Russia is merely one candidate among many to become a good commercial partner of Japan. In today's economy, Russia's raw materials are no longer as valuable as once thought, as Japan has other sources for supplies of natural resources such as gas, oil, coal and so forth. Therefore, it is premature to conclude that economic complementarity provides a sufficient condition for improved commercial relation. There may be some objections that a partnership between Japanese capital and technology and Soviet labor to tap Siberian natural resources may benefit both Russia and Japan, but Menon (1997) argues that such complementarity proved much less attractive by the latter part of the 1980s. Despite a number of high-level dialogues with regard to bilateral cooperation of natural resource development, the progress has been insignificant so far. Russia is not simply economically appealing to Japan as a commercial partner.

Economic non-complementarity was not the only reason for Japan's economic reticence. Rather, increased trade and investment ties were

unattractive for purely economic reasons. Such economic reticence is further evidenced by low trade exchange between Japan and Russia. Trade with Russia accounted for less than 2% of all Japan's trade in the latter part of the 1980s (Menon, 1997, p. 131). As mentioned earlier, the data on Russian-Japanese trade also supports Japan's little interest in Russia. Japanese investment in Russia was very meager at US$8 million at the end of the first quarter of 1995, which was only 3.5% of all foreign investment in Russia, or 0.1% of all Japanese foreign investment worldwide (Menon, 1997). Furthermore, Japan's trade with Russia in 1998 amounted to US$3.9 billion which is only 0.7% of Japan's total world trade while Japan's trade with the United States and China accounted for approximately 25% and 8.4% of Japan's total world trade respectively (Kimura, 2000).

C) What Evidence Illustrates Such Unwillingness?

Japanese unwillingness for economic engagement with Russia is observed in many occasions. Former Prime Minister Mori and some business executives of the Keidanren[6] told Putin that large-scale Japanese investment cannot be expected until the poor investment climate in Russia and Russia's Far East region is rectified (Ferguson, 2000). Also, Russia's frequently changing legal regulations and a huge outflow of capital despite a domestic shortage of

[6] Kendanren (Japan Federation of Economic Organizations) and Nikkeiren (Japan Federation of Employers' Associations) were amalgamated in May 2002. Nippon Keidanren (Japan Business Federation) is the current name.

hard currency are other concerns. Kimura cites a bad experience for foreign investors that took place in Russia on August 17, 1998 when the Russian government under former Prime Minister Kirienko announced a ninety-day moratorium or a virtual default on privately held foreign debt. This policy was based on a discriminatory policy in the sense that it differentiated between foreign creditors from Russian creditors, thereby penalizing foreign investors in favour of Russia's own troubled banks. This resulted in a great number of foreign investors getting burned. This policy discriminated foreign investors and made Russia unattractive for foreign investors and businesses (Kimura, 2000). The Ministry of International Trade and Industry (MITI) was reluctant to provide insurance guarantees to cover large business ventures in Russia because the opportunity costs of large investment there were considered too high compared to safer and more promising opportunity costs in China, Taiwan, South Korea, and the Association of Southeast Asian Nations (ASEAN). For pragmatic reasons, it is logical to stay away from risky investments in Russia and to build closer economic ties with more promising and stable nations. Although the potential Russian market is attractive, Russia's economic and political instability raises questions about the worthiness of increasing trade and investment ties.

Japan also displayed its unwillingness to aid Russia in the following situations. Japan often announced its plan to pledge economic aid to Russia, but

often held the pledge for a long period of time or carried it over to the next year. For example, in April 1993, Japan announced support measures totaling US$1.8 billion. However, to this day the funds have hardly been spent. What happened was that a considerable amount of it was spent on export insurances for Japanese exporters (Drifte, 1996). More recently in June 2002, Japan pledged US$200 million, but US$150 million of that was from a previous unfulfilled pledge. More obviously, the Japanese government announced its unwillingness to provide more funding until Russia establishes an effective system to administer the funding. Much of the US$200 million appears to be previously allotted money that has not yet been spent (Monterey Institute of International Studies, 2002). In addition, Japan's relatively generous aid disbursement between 1991 and 1993 was because of the pressure from the G-7 due to the fact that Japan found its relationship with the G-7 very critical, and not from Russia with whom Japan felt little confidence or trust (Yasutomo, 1995). We have observed Japan's unwillingness for economic involvement in this section, but the next question is whether that itself is evidence for Japan's Economic Realism.

D) Does unwillingness explain Japan's Economic Realism?

It seems reasonable to conclude that in the absence of major economic interest in Russia, Japan is free to put the Northern Territories dispute at the forefront of the relationship. However, there is no decisive evidence to conclude that the observed unwillingness illustrates Japan's Economic Realism, and I can

only speculate that it illustrates Economic Realism to avoid negative economic consequences. Since an absence of evidence alone (i.e., an absence of Japanese economic activity in Russia) does not prove Japan's Economic Realism, we must look further for evidence of Japan's Economic Realism. From this standpoint, it is difficult to argue that the absence of Japan's economic interests in Russia provides evidence for its Economic Realism. The structure of Japan's decision-making process gives a good account of the unwillingness.

The unwillingness is a natural course of action stemming from pragmatic policy influencers in Japan. Economic low-involvement with Russia is more or less an unwritten policy of the so-called "iron triangle" decision-making body. Japan's policies including its Russia policy are largely influenced by politicians, bureaucrats, and business leaders or *sei-kan-zai* (政官財), also known as the iron triangle of policy-making decision, as observed by many scholars (Hara, 1998; Drifte, 1996; Nester, 1990, p. 139; Nakano, 1997, p. 89). When the majority of politicians, bureaucrats and big businesses determine that Russia is not a desirable business partner, the relationship becomes less important than that with the US and China. Differently put, there is little pressure from the iron triangle members to shelve the territorial issue as it is not deemed necessary. From the Economic Realists' point of view, the priority Japan has placed on the Northern Territories claim may be traced to pragmatism to avoid negative economic consequences. This turns my attention to the symbolic and cultural

factors for Japan's Russia policy and its claim over the Northern Territories, and how Japan uses hints of economic deals to further the Northern Territories negotiations.

Cultural Perspective in Japan's Russia Policy

Japan's Russia policy articulation reflected on the Northern Territories issues displays nationalism more prominently than Economic Realism. There is evidence that the cultural nationalistic or symbolic value of the islands drive Japan's Russia policy (e.g.. moral, justice, distrust, etc). First of all, we have to inquire into the question of A) the instrumental value of the disputed islands to Japan in order to rule out the argument that economic value in the islands drive Japan's persistent claim on the disputed island. Second, given that the Northern Territories problem has become a substitute for Japan's Russia policy (Hasegawa, 1992), I argue that the Northern Territories issue has become the top priority in Japan's Russia policy. I will therefore point out some evidence that B) Japan's high priority given to the Northern Territory policy has not fundamentally changed since the end of World War II. Finally, I would like to discuss C) how cultural perception, nationalism, and psychological factors can explain why Japan insists on the claim and why Japan is willing to pay a high price for the claim.

A) Instrumental Value

The Northern Territories are argued to have insignificant economic or strategic value to Japan. There is, however, strong evidence that the claim to regain the islands is for symbolic reasons. Although the islands themselves are small and have no petroleum potential, Kimura and Welch (1998) point out that the islands have some maritime value in their exclusive economic zone (EEZ) that totals 196,000 km^2. This zone also includes great fishing grounds, and the EEZ of Shikotan and Habomai islands is significantly larger and richer than that of other islands (Kimura & Welch, 1998; Williams, 1999). However, they further argue that the EEZ does not adequately explain Japan's desire to recover the territories because these potential maritime resources would be very expensive to exploit due to the remote location of the islands and poor infrastructure (Williams, 1999). A Japanese economist, Kenichi Ohmae estimates that the development of infrastructure to the level as Hokkaido would cost each Japanese taxpayer 60,000yen or US$550 (Quinn-Judge, Shiotani, & Smith, 1999). If it is safe to argue that Japan would not economically benefit from the recovery of the disputed islands, then what about strategic value?

Although the islands were considered to be of vital strategic importance to Russia during 1970s and 1980s, it is no longer the case in the post-Cold War era. Kimura and Welch (1998) posit that during the Cold War the Japanese government regarded the islands as strategically important simply because

Russia did. They further argue that possession of the four islands would not have influenced the Japanese ability to either defend itself or project its military power beyond its borders. Kimura and Welch (1998) refer to the 1995 Japanese Defense White Paper as downgrading the strategic value of the Northern Territories after Russia withdrew all of its combat aircraft and most military personnel from the islands. Even if the territories were handed over to Japan, the islands would not add much to the current facilities in Hokkaido for surveillance and perimeter defense mostly because they are farther away from the Russian mainland than from Hokkaido (Williams, 1998). With the current military technology Japan utilizes such as long-range missiles, satellites, advanced communications, the Northern Territories have little strategic value to Japan (Nimmo, 1994).

Having shown the economic and strategic value of the territories as an insignificant factor in Japan's claim on the disputed islands, let us move on to the cultural or symbolic value of the Northern Territories for Japan.

B) Japan's Unchanged "*honne*" Diplomacy in the past fifty years

Russo-Japanese relations have a dual structure characterized as *honne* (one's true feelings)-*tatemae* (public behaviour) (Ijiri, 1990). Japan's *honne* diplomacy, on one hand, pushes the Northern Territories dispute and demands the return of the islands. On the other hand, Japan's *tatemae* diplomacy supports favorable attitude for Japan's economic assistance and other

cooperation with Russia. In fact, Japan has used the *tatemae* diplomacy as the bait to lure the resolution of the Northern Territories dispute for many years. This diplomacy is referred to as the "inseparability of politics and economics" or "seikei fukabun" (政経不可分) between 1985 and 1988 (Hasegawa, 2000; Hakamada, 2000; Shimotomai, 2000; Hara, 1998). In subsequent years, Japan changed its policy slightly from the inseparability of politics and economics to a "balanced expansion" policy (1989-1996) and then later to a "multilayered" policy (1996 to present). Despite the change, the core structure of these policies has not changed much in such a way that Japan's prime goal continues to be to restore the sovereignty of the Northern Territories (*honne*) while allowing for some *tatemae* policies such as economic assistance, cooperation, strategic cooperation, technological assistance, the improvement of economic relations and so forth. From the balanced expansion to multilayered policy, Japan simply expanded the areas of cooperation and assistance. Supposedly, the multilayered approach "does not have to be balanced with progress on the Northern Territories question" (Hasegawa, 1998, p. 504), but in fact, Japan almost always refers to the Northern Territories question as the stumbling block and should be resolved as soon as possible. As such, I therefore argue that Russo-Japanese relations are dually operated at *honne* and *tatemae* levels.

In the end, *honne* diplomacy often overweighs *tatemae* diplomacy in Russo-Japanese relations, and Japan skillfully indicates its national preferences[7]. This is evidenced by Japan's many announcements to improve bilateral economic cooperation in the past decade, but in fact Japan has failed to improve its economic relationship with Russia. Japan's economic linkages to the Northern Territories were quite clear in the 1970s, 1980s, and even early 1990s. Japan has always tied its economic incentives and economic sanctions to its own goals, namely the regaining of the Northern Territories. Hints of an economic deal to push the Northern Territories negotiations have been frequent. In 1989, Prime Minister Nakasone told Russia that Japan's economic cooperation would depend on the progress on the territorial dispute. Again in 1991, Ozawa made it clear that US$26 billion in aid would be offered only in exchange for the Northern Territories. As a sanction, Japan proposed only US$2.5 billion in aid in 1991, as compared to a generous US $45 billion from Germany (Newnham, 2001). In most recent years, Prime Minister Koizumi displayed Japan's 'unchanged' stance on its national preferences in the following two occasions in 2000 and 2003 respectively:

> Japan's basic policy toward Russia is to make every possible effort to resolve the issue of the attribution of the Northern Territories based on the Tokyo Declaration thereby concluding a peace treaty and fully normalizing relations between Japan and Russia (MOFA, 2000).

[7] National preferences are orderings of national interests or of national values. Such orderings can be represented as simple comparisons (Kimura & Welch, 1998).

> Russo-Japanese relations have not been improved due to the unsolved problem of the Northern Territories dispute. It has been thirty years since the Sino-Japanese relationship was normalized. The volume of trade between Russia and Japan today is the same as that between Japan and China thirty years ago. Today's Sino-Japanese trade is 20 times higher than that of Russo-Japanese trade. Given the huge potential of Russia, trade activities with Russia should be much higher. *Upon clarifying* [italics added] the sovereignty issue of the Northern Territories, we would like to discuss the speedy conclusion of a peace treaty. Other international issues discussed were the development of energy resources in the Russian Far East and the Siberian region, and the situation surrounding North Korea. We also agreed upon a "Japan-Russia Action Plan" as guidance for Russo-Japanese relations[8] (Koizumi, 2003, translated by K. Higashida, 2004).

In addition to the above comments, Prime Minister Koizumi also confirmed his cabinet's unchanged firm stance on the issue at the 2004 National Rally to Demand the Return of the Northern Territories (北方領土返還要求全国大会) on February 7, 2004 (Tokyo Broadcasting System, 2004). These comments clearly indicate Japan's unchanged national preferences: Japan prefers to resolve the Northern Territories dispute based on the Tokyo Declaration first, and then to conclude a peace treaty to fully normalize bilateral relations. It is important to note that the orderings of the two separate yet intertwined interests have persistently been maintained by post-WWII Japan. Japan sporadically announces its intention to economically assist Russia in the hope that it will lead to better territorial negotiations.

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[8] The original texts in Japanese: 日露関係は、領土問題という困難な問題があり、なかなか進んでいません。例えば経済関係をみても、日本と中国は国交正常化して３０年ですが、３０年前の日中貿易と日ソ貿易はほぼ同額でした。現在の日中の貿易額は日露の２０倍。ロシアの潜在力を考えればこんなに低いはずがありません。四島の帰属を明確にしたうえでの平和条約の早期締結、極東シベリア地域の資源開発、北朝鮮などの国際情勢について真剣に話し合い、今後の日本とロシアとの関係の「指針」となる「日露行動計画」に合意しました (Koizumi, 2003)

Although Koizumi appears to be concerned about the low economic exchange with Russia and to imply Japan's desire to improve its economic relationship with Russia, at the same time, he is skillful in emphasizing the order of Japan's national preferences: resolving the Northern Territories sovereignty issue followed by the conclusion of a peace treaty, but possibly improving Japan's economic relationship with Russia as outlined in the Action Plan. This is a clear indication of Koizumi's position on the "entrance approach" or *iriguchiron* (入口論) whereby Japan would not consider a peace treaty without first solving the Northern Territories dispute. On the other hand, as discussed earlier, the "exit approach" or *deguchiron*,(出口論) preferred by Russia, is to first sign a peace treaty and to increase bilateral cooperation in such fields as Japan's aid to Russia and bilateral trade followed by an effort to solve the territorial dispute later (Hasegawa, 1995a). Furthermore, the Action Plan is vague in such a way that it does not specify any particular actions to be taken in order to achieve what is in the plan. This also illustrates Japan's vague intention for cooperation with Russia without actually committing to anything in particular. To go back to the argument about *honne* and *tatemae*, the political entrance approach to the Northern Territories dispute is Japan's *honne* while Japan's 'promise' for its economic cooperation is *tatemae*. Next, I will discuss how cultural perception, nationalism and psychological factors explain why Japan

insists on the claim and why Japan is willing to pay a high price for the claim despite the islands' little instrumental value.

C) Culturally Perceived Factors

I will use the term nationalism to refer to the attitude or identity of a member of a nation who cultivated and developed a particular set of cultural traditions and values. The nation is the product of their unique history and culture, and is a collective solidarity with unique attributes (Yoshino, 1992). In Russo-Japanese relations, I argue that Japan's cultural identity combined with morality, perceptions, traditions, and belief about the injustice done by the Soviet Union and Russia is reflected on Japan's strong position on the 'cost *in*effective' territorial claims; therefore, it also explains why Japan is willing to pay a high price for the claim. Kimura and Welch (1997) suggest that there is strong evidence that the cultural value rather than the instrumental value of the islands drives Japanese policy. The cultural value of the Islands to Japan such as the moral, legal, and symbolic importance of reversion drive Japan's Russia policy, and that Japan's persistent territorial claim can be explained by moral psychology. For the Japanese, the Northern Territories issues are emotional and cultural. To explore nationalism reflected on Japan's Russia policy, I will focus on socio-cultural factors such as distrust and apathy, and negative perceptions that can insert enmity into Japan's Russia policy and diplomacy.

Distrust and Policy

The legacy of the past has influenced Japan's Russia policy because the Japanese remain distrustful of Russia as a result of past trauma. According to an opinion poll conducted by MOFA in February 2001, more than half of the respondents do not have friendly feelings toward Russians, while only 9.7% of them feel friendly toward Russians (MOFA, 2001). This large number of unfriendly feelings can be traced to the unhappy history between Japan and Russia, especially to three setback-causing issues: 1) Russia's violation of the Japanese-Soviet Neutrality Pact in 1945, 2) Soviet detention of 600,000 Japanese troops in Siberia between 1945 and 1956 (Hakamada, 1996), and 3) Soviet/Russian occupation of the Northern Territories since 1945.

First, despite the Neutrality Pact valid between Japan and the USSR until 1946, the USSR violated the pact and entered into war against Japan in August 1945 on the brink of Japan's defeat. According to Stephenson (1998), the Soviet government ruined several tens of thousands of Japanese lives on the Kuriles although they offered to give in without a fight. Such an anecdote left the deepest mistrust of Russians. Second, the memory of the Soviet detention of Japanese troops who were forced to hard labour until death left even deeper mistrust of the Russians. However, Yeltsin's apologies made during his visit to Japan in 1993 were sincerely accepted and somewhat lifted a psychological block among the Japanese. Third, Soviet occupation of the Northern Territories

and how the USSR/Russia has dealt with the issue has dealt the largest damage to the Russo-Japanese relations to date. This dispute has more significant symbolism than just the physical return of four islands. How much it would cost each Japanese to develop the four islands shows that Japan's ownership would not be cost-effective. While the Gulf War cost each Japanese US$80, the cost of regaining ownership of the four islands would be somewhere between US$480 to US$800 per person (Kimura, 1995). Added to this list is the cancellation of Boris Yeltsin's visit to Japan in 1991 whereby Yeltsin not only cancelled his trip at the last minute but also blamed Tokyo for his cancellation. In October 1993, Russia dumped radioactive waste into the Sea of Japan, and this caused a major uproar in Japan (Kawato, 2000). The Japanese media portrayed these incidents as showing Russia's 'typical' untrustworthy behaviours.

Moral Psychology and Policy

Territoriality is "the wish of a subject (or individual or group) to delimit a territory within which the subject believes that it has a ***legitimate*** claim to define rules, e.g. of access and of resource use ("this territory is mine/ours")" (Jordan, 1998). Kimura and Welch (1998) conducted in-depth interviews with senior MOFA and Japan Defence Agency officials. They asked a series of four topical questions and the purpose of the interview was to elicit both official and personal responses. The results show that the Japanese claim on the Northern Territories reflect Japan's firm belief about the injustice done during the Soviet

occupation and the legitimacy of Japan's claim, and Japan's firm stance and policy can be explained by moral psychology. The interviews thus indicate that the "interviewee understands the Japanese claim primarily in moral, legal, and symbolic terms, and discount the islands' instrumental value" (Kimura & Welch, 1998, p. 227). It concluded that moral psychology can explain Japan's Russia policy and persistent claim on the islands; however, they also admit that the interview results do not address why the officials and the Japanese people feel a strong sense of attachment to the Northern Territories (Kimura & Welch, 1998). Moral psychology embedded in the Japanese sense of identify explains why the Northern Territories question has been the top priority in Japan's Russia policy for many decades.

Perceptions and Policy

Japan's Northern Territories claim is not just a territorial dispute, but it is a symbolic expression of national pride to the older generation of the Japanese. We should not underestimate the importance of such cultural or psychological factors because they will inevitably influence Japan's policy toward Russia to some degree. For example, Japanese public opinion will not likely allow Japan to spend a large sum of their tax money on economic assistance to Russia as long as the Northern Territories dispute is unsolved. During the decades of antagonistic relations, Japan developed unfriendly and almost apathetic feelings toward Russia. Russo-Japanese relations maintained the mood of abnormality

for many decades, and resulted in unfriendly feelings to one another. Because of antipathy and apathetic feelings, the Japanese maintain fairly unfavourable or unfriendly feelings toward Russians in general. Kimura stipulates that such cultural factors cause Japan not to actively seek rapprochement with Russia (Kimura, 1995). Overall, Russo-Japanese relations appear to rank poorest among the great powers, and the bilateral relations are often called "deadlocked" largely because of the Northern Territories problem and a yet-to-be-signed peace treaty. It is not exaggerating to say that Japan's Russia policy reflect Japan's apathetic feelings towards Russia, Japan's national pride, and culturally-defined nationalism.

Hasegawa (1998) argues that Japan's public opinion plays a role in such hesitant behaviour. As mentioned earlier, Japanese public opinion will not allow the Japanese government to spend a large sum of tax money on Russian aid as long as the territorial dispute remains unsolved. His view is supported by the opinion polls conducted by MOFA which found that 22.2% of the Japanese respondents think that Japan does not need to make efforts to improve the bilateral relations unless the territorial negotiations see advancement. 45.1% think that Japan should make efforts to improve the bilateral relations only in parallel with the advancement of territorial negotiations. Only 19.1% responded that the Northern Territories question should be separated from politics (MOFA, 2001). Furthermore, 44.7% of the respondents do not think that Japan's

partnership with Russia is beneficial to Japan. In another word, the Japanese do not support their government to make efforts to improve the relationship with Russia at this moment because the territorial negotiations are deadlocked and the partnership with Russia is not seen as beneficial.

Some might question whether Japan's recent increased interests in energy cooperation, especially regarding the potential oil pipeline deal, would provide a basis for a long-term partnership with Russia, and thereby lead to the shelving of the territorial dispute. At this moment, it is hard to predict what the future will hold because 1) an oil pipeline feasibility study is still underway, and more importantly 2) Japan's economic stakes in the oil pipeline project are still relatively low compared to Japan's overall economic stakes in more favourable partners such as China, South Korea, and the United States. For example, in 2003, Japan's export to China was the second largest at 13%, only after 24% to the United States, while Japan's export to Russia was extremely meager at 0.4% in 2003, ranking only 31st (Japan External Trade Organization, 2003). Although the Japanese government shows its willingness to support investment, some private investors are still hesitant. As Mito (2000) argues many foreign investors are hesitant in the Russian investment project. "Russian country risk" (Mito, 2000) is rated much higher than that for any other OECD country because Russia is still politically and economically fragile. Investment, especially in the energy sector, requires a long-term commitment. As a result of the above,

investors can be hesitant to take long-term credit risks. The business environment in Russia needs more extensive clean-ups before Japan considers Russia as a long-term business partner.

The prospect of the Island Dispute

From the Realist point of view, the status quo is likely to continue as long as Russia and Japan have conflicting goals and little mutual incentive for closer cooperation. In another word, if the geo-strategic needs of *both* Japan and Russia change rapidly such as it confronted by an identifiable common enemy, for example, both sides may be willing to seriously cooperate and try to resolve the dispute. It is still possible for Japan and Russia to share regional security interests. For example, given China's economic growth and military buildup over the last decade, China several years from now may become the major security threat to both Russia and Japan. Concurrently, the United States may entirely or partially withdraw its military bases from the region, and China may then seek to rise up as the dominant power of Asia. If Russia and Japan find themselves in serious need of each other in such a situation, external factors may help to quickly resolve the pending territorial dispute and lead to a peace treaty. However, with the current geopolitical and economic climate surrounding the two nations, drastic progress will not happen in the foreseeable future. Outside pressure may be necessary to solve the dispute and improve the bilateral relations.

From the cultural standpoint, the territorial dispute may not be solved unless the cultural misunderstanding dissolves. Peter Berton (as cited in Kimura, 2000) believes that a solid majority of the Japanese believe that the territorial issue is the major reason why relations between the two neighbors are not good. Hasegawa (1998) also suggests that Japanese negative perceptions of Russia influences Japan's Russia policy in such a way that as long as the Northern Territories dispute remains unsolved, Japanese public opinion will not allow the Japanese government to spend large amount of their tax money on Russian aid.

Conclusion

The Northern Territories dispute does not appear to be a strong indicator of Economic Realism in Russo-Japanese relations, but the dispute *indirectly* illustrates Japan's Economic Realism in such a way that Japan uses the dispute as a convenient excuse to avoid deeper economic involvement. On the other hand, Japan's Russia policy dominated by the Northern Territories demand reflects Japan's nationalism and important roles of intrinsic values Japan attaches to the Northern Territories. However, what we must not overlook is the fact that Japan considers Russia as of secondary importance economically and strategically. Without such economic and strategic incentive to assist Russia, Japan simply is not attracted to cooperate with Russia. In a kind of balancing act, hints of economic aid are skillfully utilized by Japan in the hope of better dispute negotiations. As discussed earlier in the chapter, Russia is not an

attractive trading partner of Japan due to the poor business infrastructure. Japan is a 'trading state' whose influence in the globe is based largely on its wealth. It is quite clear that Russia needs Japan's partnership in economic development in Russia's Far East, or Japan's investment in general, but how much Japan needs Russia's economic partnership is not clear at this time. Economic complementarity is highly questionable now that Russia is *merely* one of many resource-rich nations from which Japan can import natural resources. Given the situation, Japan can afford to ignore "giant" Russia and push the Northern Territories dispute for its own satisfaction while systematically reassuring Russia of some economic assistance which Japan is not quite willing to give out. These tactics are not only to advance the dispute negotiations but also to maintain its low-level economic aid and economic exchange with Russia. In the absence of Japan's economic interests in Russia, the intrinsic values of the islands to the Japanese drive Japan's Russia policy, and it is not likely to change until Russia presents itself as a more attractive partner for Japan.

Chapter 4

Conclusion

Economic Realism is prevalent in Japan's overall foreign policy toward China, which Japan considers as a primary partner to its overall security. However, culturally-defined nationalism is salient in Japan's foreign policy toward Russia, which Japan considers as a secondary partner. As with Russia, Economic Realism assumptions may not apply due to 1) an overwhelming Japanese sense of identity with the Northern Territories, 2) the low level of economic ties between Japan and Russia, and 3) minimal resource potential in the territories. Rather, Japan is willing to pay a high price for its claim over the Northern Territories, and Japan is not willing to make any territorial concession. This foreign policy pattern can be explained from a cultural perspective wherein Japan's national identity is bound up with the Northern Territories and its exclusive claim to homeland. Japanese profound interests in the reversion of the Northern Territories have been shaped by historically contingent influences (Kimura & Welch, 1998). If the Russo-Japanese bilateral relationship were so

important to Japan's economic and strategic security, Japan would have agreed to shelve the territorial issue by now.

Findings

Japan's political articulation toward the neighbouring two major powers, namely China and Russia, is as different as Japan's bilateral relationship is toward them. First, since Japan and China signed a peace treaty in 1978, their relationship has developed rapidly in terms of economy. The volume of bilateral trade, for example, soared to over US$15 billion in 2003. By contrast, the highest trade volume ever between Japan and Russia was only US$6 billion in 1989. Moreover, Japan and Russia have not signed a peace treaty although over 40 years have passed since Russo-Japanese relations were normalized (Kimura, 1995). By the same token, China and Japan enjoy more or less progressive relations overall, while the Russo-Japanese relationship has stalemated for decades.

In the post World War era, Japan has claimed ownership over the Senkaku/Diaoyu Islands against China and the Northern Territories against Russia. Although the legal possession of both of the disputed territories is still unsettled, Japan has exhibited very different foreign policy choices toward the two countries concerned. Japan's China policy displays Economic Realism wherein both parties shelve the dispute issue, "until the next generation" in order to build better political and economic relations. On the other hand, Japan

displays nationalism rather than Economic Realism in its Russia policy. From the two case studies, my research concludes that the Economic Realism reflected in Japan's handling of the Senkaku/Diaoyu dispute and nationalism reflected in Japan's handling of the Northern Territories dispute show 1) Japan's strategy to survive in the competitive global economy, and 2) Japan's preserved and underlying nationalism.

Japan's Economic Realism policy toward China and Russia

Although nationalism can be a significant element of a nation's decision-making body, nationalistic sentiment is often managed, controlled, concealed, or downplayed for the sake of national interests when the political and economic ties with the country concerned are significant. Japan's China policy illustrates this phenomenon. As Deans (2000) points out the Senkaku/Diaoyu Islands dispute is driven by the symbolic value of the islands, and by nationalism. However, nationalism consisting of cultural or societal norms, and national identity at the bottom of the triangle can be concealed as if it does not exist as seen in Japan's China policy choice (Figure 5). This case study illustrates a typical case of how Japan can intentionally conceal cultural context in its foreign policy.

While Japan's foreign policy choice for China almost completely conceals the base of the triangle, the same for Russia shows nationalism instead (Figure 6). The reason for this is two-fold: 1) Japan's strategy to avoid deeper

economic involvement such as undesirable economic aid or risky investment into Russia. 2) Japan's economic competitiveness to survive in the global economy will not be influenced by Japan's economic non-involvement with Russia. Therefore, Japan determines that it is safe to openly pursue the nationalism-ridden territorial claim over the Northern Territories.

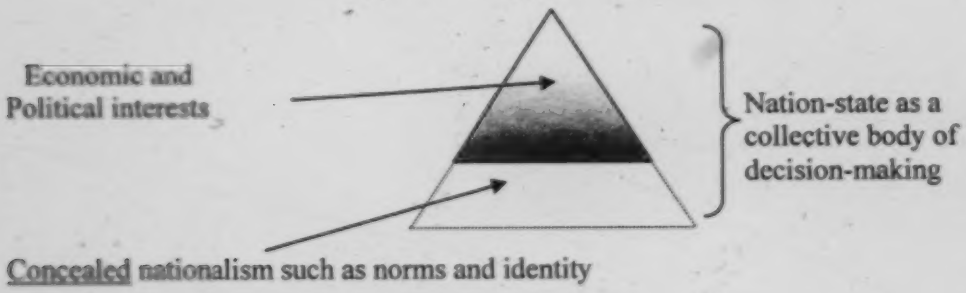

Figure 5: Japan's policy orientation for China

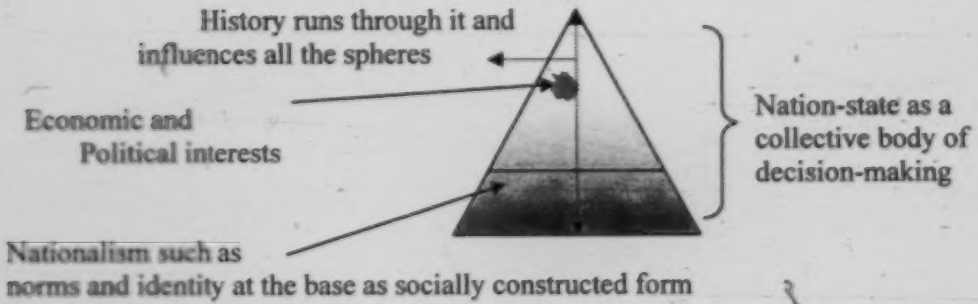

Figure 6: Japan's policy orientation for Russia

Interpreting the findings

Japan's foreign policy choices toward Russia show very little economic cooperation, but more of a "cultural standoff" and the effects of a past legacy. As illustrated in Chapter 3, Japan's willingness to pay a high cost for the dispute claim does not suggest Economic Realism. This indicates that cultural, normative, or historical factors have influenced Japan's Russia policy. Various criteria exist for providing an explanation as to what constitutes Japan's Russia policy. Moral choice is definitely one of them. Moral choice includes values held by individual policy makers that influence the policymaking body elements such as bureaucrats, statesmen, and big businesses.

Does moral choice influence Japan's China policy? It has not influenced Japan's China policy directly, and it is unlikely that moral choice will influence Japan's China policy in the near future. China and Japan recently celebrated their 25th anniversary of the Japan-China Friendship Treaty and the 30th anniversary of the normalization of relations between China and Japan. Although there are several political issues such as the recent unearthing of chemical weapons abandoned by the Japanese Imperial Army in northern China and "proper" understanding of history, economic relations between China and Japan have continued to expand.

Japan occasionally chooses to show nationalistic behaviour in politics, but often follow with face-saving statements or plans. During the few months

leading up to August 15, the anniversary of Japan's surrender at the end of World War II, a few sensitive issues usually arise between China and Japan. For example, Prime Minister Koizumi's visit to the Yasukuni Shrine always result in strong protests from the Chinese government, and thus in a brief downturn in political relations. However, what is interesting to note is that Japan quickly announced last year its plan to dispatch a special emissary to China the day after the Yasukuni issue was brought up (Pryzstup, 2003). Such face-saving actions illustrate Japan's desire to keep good economic relations with China.

In this thesis, the degree of economic motivation is the independent variable, and Japan's policy orientation is the dependent variable. Where Japan's economic motivation and reliance is high as with China, nationalist policy or behaviour is controlled and concealed for the sake of the country's economic security. On the other hand, where Japan's economic motivation and reliance is low as is the case toward Russia, moral choice, cultural egoism, and nationalism override.

Odgaard (2001) makes an interesting observation. He argues that Russia considers Japan a "secondary power" compared to China and the United States in the Asia-Pacific balance of power. Japan also considers Russia a "secondary power" in the region. Since neither Russia nor Japan considers each other a "primary power," the dispute is in a deadlock. If this observation is true, it supports my conclusion. This unwritten ranking system within the Japanese

mindset influences the way Japan deals with the country in question. In this case, China plays a primary role in terms of both economy and security.

There are two other possible factors that may have influences on the way Japan acts. Which country currently occupies the disputed territory may also be a factor in how Japan acts toward the country in question. In the case of the Senkaku/Diaoyu dispute, Japan currently occupies the islands; therefore, Japan is likely to take a more defensive approach to keep the dispute as low profile as possible. On the other hand, the Russians currently occupy the Northern Territories; therefore, Japan is likely to take a more offensive approach in order to make their voice heard. However, even if China occupied the Senkaku/Diaoyu Islands, Japan would still likely pursue Economic Realism approach with China thanks to the sheer size and potential of the Chinese economy and markets. It would also be noted that Japanese people don't actually live on the Senkaku/Diaoyu Islands.

Historical legacies and war guilt may have also influenced Japan's policy. In the Sino-Japanese relationship, China considers itself the victim of Japan's imperialist aggression in the 1930's and 40's. On the other hand, in the Russo-Japanese relationship, Japan considers itself the victim of Russia's unlawful aggression in 1945. China has constantly reminded Japan of historical legacies such as the Massacre of Nanjing, the issue of comfort women, Japan's past imperialist nationalism, the Yasukuni visit issue, and history textbook issues.

Though China's intent of such reminders over time may be manifold as discussed in Chapter 2, Japan may see itself more as a former offender against China, while the opposite is the case against Russia. As discussed in Chapter 3, Japan sees itself as a victim of the Soviet aggression in several occasions. For example, the Soviet Union violated the Neutrality Pact and entered into war against Japan in only 1945 on the brink of Japan's defeat. In both case studies, although Japan firmly believes that all of the islands in question lawfully belong to Japan, the Government of Japan chooses to be more vocal on the Northern Territories dispute than on the Senkaku/Diaoyu dispute. These two possible factors are of secondary concerns that further facilitate Economic Realism and nationalism in the respective cases.

At this point in the analysis we can now more fully answer two fundamental questions addressed in this thesis. 1) Does the level of economic motivation make any difference in policy choice? 2) Does the degree of nationalistic feelings such as anger or distrust make any difference in policy choice? By examining the two case studies, the answer to the former question is yes. The high degree of Japan's economic motivation in China is reflected in Japan's China policy of *honne* and *tatemae*. Concealing the *honne* feelings, Japan successfully builds and maintains good economic relations with China. Concealing the *honne* feelings became virtue in its China policy. The low degree of Japan's economic motivation in Russia is also reflected in Japan's

Russia policy. Not having to conceal the *honne* feelings because there is nothing significant to lose or gain, deadlocked Russo-Japanese relations may not show signs of improvement for the near future.

The answer to the latter question is tricky. The level of feelings such as anger or distrust does not influence Japan's policy choice as much as the degree of economic motivation does because Japan can control its nationalistic feelings in order to continually develop or maintain Japan's own economic competitiveness in the global economy. However, only when the degree of economic motivation is low, does the degree of nationalistic feeling influence Japan's foreign policy choice as observed in Japan's Russia policy choice.

In essence, difference in Japan's economic interest and reliance on the target country is what makes Japan's policy orientation Economism-based or nationalism-based. The Japanese government is quite vocal about its claim over the Northern Territories dispute because they do not rely on Russia to supply natural resources, manpower, or to gain a foothold on the country's market since Japan relies on China and others to supply them.

Concluding Thought

In terms of theories, it is not best to generalize that Japan's foreign policy is always motivated by economic self-interest. Although the Senkaku/Diaoyu case study shows that Japan's economic self-interest drives Japan's pragmatic policy toward China, the Northern Territories case study does

not show quite the same. Japan's Russia policy shows Japan's self-righteous morality and its values toward Russia. Given that the claim over the Northern Territories does not contribute to its economic self-interest, Japan chooses to actively pursue the sovereignty issue.

While Sino-Japanese relations are better explained with Economic Realism, the Russo-Japanese relationship is not well explained by the same theory for many reasons. Instead, a cultural perspective better explains Japan's Russia policy because there have never been strong and mutual economic or political interests between the countries concerned. Overall, Japan regards its economic competitiveness as more important than its historical legacy so as to maintain the competitive edge in the balance of power game. Overall, Japan's foreign policy articulation pattern depends on its economic interest in the target country. Japan shows nationalistic behaviour in its foreign policy such as the case with the Northern Territories dispute with Russia. It is one's choice whether to reveal or conceal one's nationalistic belief and morality in the game of power balance. In both case studies, Japan does its calculation and chooses the policy orientation for the target country. The foreign policies of a state are profoundly shaped by their particulars such as the particular norms, ideas, cultures, and social structures; however, when there is a serious economic stake in the relationship, the state often suppresses such particular norms for pragmatic economic reasons.

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